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# The Economic Review of the Travel Industry in Montana: 2008 Biennial Edition

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## 2008 Biennial Edition







The University of Montana

# THE ECONOMIC REVIEW OF THE TRAVEL INDUSTRY IN MONTANA

## 2008 BIENNIAL EDITION

**The Institute for Tourism and Recreation Research**
**The University of Montana - Missoula**


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# EXECUTIVE SUMMARY

- In 2007, travel expenditures by nonresident visitors totaled over $3.08 billion, which generated over $4.31 billion in total economic impact.

- Approximately 10.68 million individual nonresident travelers visited Montana in 2007, up 2.9 percent from 2006. This amounts to 4.36 million nonresident travel groups (2.45 people per group).

- Nonresident visitor spending generated over 33,200 direct travel jobs to Montana and nearly 44,800 total jobs contributing to over $1.05 billion in total personal income for Montana residents.

- Montana state and local governments received an estimated $235 million in taxes attributable to nonresident traveler spending; the federal government collected over $271 million in taxes from nonresident spending in Montana.

- The nonresident travel industry in Montana comprises 7.0 percent of the state's total employment, making it the fifth largest employer, after construction (8% of total employment), but before agriculture (5%).

- Montana ranks 42$^{nd}$ in the U.S. for tourist spending, but 7$^{th}$ in the nation in per capita tourist spending.

- Nonresident vacationers to Montana came primarily from the U.S. (89%), while 7.0 percent came from Canada, and 4 percent came from other foreign countries.

- Mountains and forests and Yellowstone National Park attract the most visitors to Montana, while wildlife watching and driving for pleasure are the most popular recreational activities.

- Visitation to Montana State Parks, including both resident and nonresident visitors, increased 3.0 percent in 2007 over 2006.

- Amtrak ridership in 2007 rose slightly at 0.9 percent from 2006, although Montana's busiest station at Whitefish had a decrease in ridership of 4.1 percent.

- Airline passenger traffic increased 3.4 percent from 2006 to 2007, which contributed to a 19.2 percent increase since 2000.

- In 2007, room demand and room supply increased 4.3 percent and 1.3 percent, respectively. Occupancy rates experienced a 3.0 percent increase while average daily rates had a 9.2 percent increase over the previous year.

- Prices in the foodservice industry rose 3.7 percent in 2007 compared to a 2.8 percent increase in the Consumer Price Index.

- Personal income in Montana's arts, entertainment and recreation services industry increased 9.3 percent in 2007 over 2006, while industry Gross Domestic Product by State rose 6.6 percent.

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# INTRODUCTION

This is the fifth edition of the biennial report, The Economic Review of the Travel Industry in Montana. This review provides current and historical data of nonresident travel and tourism in Montana, and offers the industry's economic impacts to the state. Where available, 2007 data are used, while in some cases data from previous years are the most recent. In order to provide the most objective data and analysis, only the most impartial sources were used and are noted throughout the report.

## *Defining Travel and the Travel Industry*

The definition of *travel* is not necessarily clear cut. The Institute for Tourism and Recreation Research (ITRR) at the University of Montana uses two definitions distinguished by the type of traveler, nonresident or resident. When Montana residents travel within the state, they are termed "resident travelers." However, "nonresident travelers" are those who travel within Montana but do not maintain permanent residency in the state.

While the definition of nonresident travel seems rather straightforward, resident travel runs the risk of being too inclusive. For instance, commuting to and from work or school constitutes travel in a broad context. To help eliminate this type of inclusion, various travel studies have employed different definitions by limiting travel to trips at least 50 or 100 miles away from home. To allow comparability with other studies around the country, the Institute has adopted the definition of resident travel as greater than fifty miles one way from home, not including commutes for work, school, or daily activities.

Another complication is the definition of the travel industry itself. It is difficult to define because of its diverse and complex nature, comprised of different industry segments such as airlines, food services, accommodations, retail and others. These industries are related not because of the nature of their product, but because of a common consumer—the traveler. The difficulty of measuring the travel industry is compounded by the fact that these industry segments generally derive only a portion of their business from travelers.

This diversity can be viewed as a strength for the industry. In the words of the Travel Industry Association of America (p 4, TIA, 2005):

> A very wide range of businesses and their employees ultimately benefit from travelers. Buses, automobiles, airlines, rail, and other transportation companies bring travelers into an economic region. These consumers in turn purchase products and services offered by local lodging establishments, restaurants, amusement, recreational and entertainment establishments, and general retail outlets. This process creates many employment and business opportunities, all of which help sustain and expand the local economy.

Furthermore, the travel industry contributes to a diversified economic base, making the economy of a tourism area much more resilient than one relying on a single industry. This is especially true when it comes to the effects of adverse economic conditions, shifting consumer preferences, technological advances, and other economic influences. Some still doubt the importance of the travel and tourism industry. In Montana, however, nonresident travel contributes jobs to every industrial sector, directly or indirectly[1].

[1] Grau, 2007.

As for the industry's potential weaknesses, it faces several challenges due to the varied nature of the types of businesses that benefit from tourism and travel in general. The same economic complexity that is one of the industry's strengths also makes it hard to quantitatively measure and compare to other, more easily quantifiable, industries. As a consequence, government officials, business executives, and the general public have been slow in grasping the significance of the industry. This lack of recognition is perhaps the industry's greatest hurdle and can make it vulnerable to unfavorable policy decisions and negative press. However, the aftermath of the terrorist attacks of September 11, 2001 helped bring attention to the importance of the travel industry as an integral part of national and state economies. In the years that have followed, the tourism industry's importance has gained clout both as a source of employment and income, but also as an indicator of the overall health of the economy.

## *Publication Notes*

Most information in this report is given both in text and table format, and all sources are indicated. In addition to research publications, ITRR sources include figures estimated using the IMPLAN[2] input/output economic model.

This publication focuses on the impact of spending by nonresidents in Montana because these travelers bring out-of-state dollars to the state's economy. The Institute concentrates its data collection at the statewide level and focuses on nonresident dollars moving into the Montana economy rather than between counties and communities within the state. Data would need to be collected at the county level to allow for accurate reporting of county-level economic impacts.

The Institute would be remiss not to mention the contribution of Montana resident travelers. Based on a 2005 statewide survey[3], Montana residents spend over $883 million (2007$) per year on pleasure travel within the state. How these resident dollars are distributed across sectors and between counties has not yet been determined. It is hoped that readers of this report recognize that what is documented here does not reflect every aspect of Montana's total travel industry.

In order to clarify the use of some terms found in this report, some discussion of their meanings is necessary. The term *expenditure* refers to the estimated dollars spent by nonresidents traveling in Montana. These expenditures were estimated by surveying nonresidents in 2005, recording their travel spending, and then inputting the data in the Institute's Nonresident Expenditure Estimation Model[4]. *Impacts*, however, are various economic effects to Montana's economy by nonresident travelers and are estimated in the IMPLAN input-output model. This aggregated economic model produces three types of impacts: 1) *Direct impacts* result from the purchases of goods and services made by nonresident travelers; 2) *Indirect impacts* result from the purchases made by travel-related businesses (e.g., suppliers); and 3) *Induced impacts* result from purchases by those employed in travel-related occupations. The *total impact* is the sum of these impacts. Unless otherwise noted, all travel industry figures (economic impacts, income, employment, and taxes) in Section 1 are the total impact.

It is important to note that one dollar of travel spending can generate different amounts of personal income within the various travel industry sectors, depending on the labor content and the wage structure of each sector. Additionally, the same direct impact can generate various levels of indirect and induced effects, depending on the availability of raw materials and labor within an economic region. The more inputs that need to be imported from outside the region to generate a final product, the smaller the indirect and induced impacts on Montana.

[2] Minnesota IMPLAN Group, Inc. Stillwater, MN. www.implan.com.
[3] Nickerson, 2006.
[4] Total Annual Nonresident Expenditures = $\sum$ (number of groups) (average daily spending per group) (length of stay)

Readers should note that the 2007 figures are based on IMPLAN's Montana 2006 dataset and updated structural matrices while the 2006 and 2005 economic impact figures are based on IMPLAN's Montana 2003 dataset and updated structural matrices; previous figures are based on earlier IMPLAN datasets. Datasets for IMPLAN are generated using economic data collected from federal agencies such as the Bureau of Labor Statistics and the Bureau of Economic Analysis. Based on these data, the number of industries in Montana reflected in the model, for example, decreased from 372 industries in models based on the 2003 dataset to 354 industries in the 2007 model, which is based on the 2006 dataset. Likewise, the multipliers for employment, income, industry output, etc. for some of the industries decreased in the 2006 dataset while for other industries, a significant increase was noted.

The Institute's Nonresident Visitation Estimation Model and Nonresident Expenditure Estimation Model data were updated in 2005. Traffic volume data and proportion counts of residents and nonresidents entering the state were revised in the Nonresident Visitation Estimation Model. New information from ITRR's 2005 Montana Nonresident Travel Survey was used in the Institute's Nonresident Expenditure Estimation Model. This information includes expenditure data, visitor characteristics, length of stay (approximately 4.6 days) and travel group size (2.45 persons per group). These updated model data result in 2005 expenditure figures that are not directly comparable to previous years. ITRR's figures for 2006 and 2007 are also based on data collected in 2005.

Lastly, in regard to currency reporting, all dollar figures in this review are inflation-adjusted to 2007 dollars to isolate changes in revenue, income, receipts, etc. from the effects of inflation. The index used to adjust dollar figures is the U.S. Department of Labor's Consumer Price Index, All Urban Consumers (CPI-U[5]).

[5] U.S. Dept. of Labor, Bureau of Labor Statistics. Base period: 1982-1984=100.

# TRAVEL AND THE ECONOMY

Travel volume in Montana and the United States is influenced by economic conditions at the local, national and global levels. Conversely, travel to and within Montana affects the state economy, along with local economies within the state. As this report briefly shows, the travel industry can have considerable impact on a region's economic conditions, while being itself strongly influenced by economic conditions elsewhere. Changes in the economy have the power to impact travel volume and travel spending, which in turn affects the related economic benefits associated with travel spending. Much of this spending serves to redistribute funds to where people travel, such as from urban to rural areas or from rapidly growing areas to slower-growing ones.

## *Travel and Tourism: A Powerful Economic Force*

Tourism's contribution to Montana's economy has been on an upward trend since at least the late-1980s. As the industry grows, so does its impact on employment, income and tax revenue in the state. In 2007, total spending impacts by nonresident travelers to Montana reached over $4.3 billion in total industry output (Table 1). These economic impacts contributed to the generation of close to 45,000 jobs, and over $1 billion in personal income. Nonresident travel-generated taxes at the state and local levels amounted to $235 million, while federal tax revenue exceeded $271 million.

Part of the state tax revenue is generated by nonresident travelers' contributions to the statewide Accommodations Tax (currently at 7%). Three percent of the seven percent goes to the State General Fund. The remaining four percent is distributed to the Montana Historical Society, the University Travel Research Program, the Department of Revenue, Montana State Parks, the Montana Trade Program and the Department of Commerce, which in turn distributes funds to communities and regions across the state. Further tax discussion is provided in the Travel-Generated Tax Revenue section.

## *Travel Throughout the Economic Cycle*

Due to its economic diversity, and in contrast to many other industries, the travel industry is often considered to be relatively resistant to recessions. Although travelers are likely to take shorter trips, less expensive trips, or fewer business trips, historically, they have still traveled enough to keep the travel industry growing during recessionary periods. One recent exception is the recession of 1991-92, which coincided with the Gulf War and its inflating effect on fuel prices. In late-2000, on the other hand, as the overall economy started showing signs of a slow-down, strong consumer confidence and persistent consumer spending contributed to continued growth of the industry. Tourism took a hit as the effects of September 11, 2001 rippled through the economy, but the industry quickly rebounded. It remains to be seen exactly what the effects of the current rapid increases in fuel prices and other recessionary economic conditions will be.

In the years following a recession, the travel industry has a tendency to lag behind the overall growth rate in the economy. At this point in the economic cycle, leisure travel has to compete with the purchases of durable goods such as refrigerators and television sets--items that consumers have put off buying during the recessionary period. At the same time, consumers are planning for future travel due to improved economic conditions.

The strong economic growth for most of the 1990s benefited Montana as a travel destination, but not to the same degree as other destinations (i.e., Florida, Hawaii, international destinations). Part of this is due to travelers going on once-in-a-lifetime vacations to exotic destinations because of their increased

incomes and job security. Other travelers simply vacationed more often to the major tourist destinations (resorts, amusement parks, etc.).

The economic downturn of late-2000 through late-2003 had less effect on Montana's travel industry than it did for much of the country. In those more difficult economic times, compounded by the events of September 11, 2001, travelers sought out more affordable domestic destinations and ones they perceived as safe, qualities that Montana could satisfy. Many travelers who might have wanted to visit Montana in the past, but did not make the trip, now had more reasons to visit the state. Likewise, travelers currently looking for ways to offset the high cost of fuel on their vacations, affecting not only the cost of driving to destinations, but the cost of flying as well, may opt to stay closer to home, drive rather than fly (particularly families), and choose less expensive vacation spots, such as national parks or state parks, over resort vacations or amusement parks.

The high cost of fuel has had an effect on travel in Montana, and across the nation. The increased price of fuel has lead to travel prices increasing more quickly than the national inflation rate. However, rather than seeing fewer travelers in Montana, the number has steadily increased. Instead, according to data collected for the 2005 Montana Nonresident Travel Survey, spending patterns have changed slightly as travelers accommodate for the higher of cost fuel. More recent data which may further clarify changes in spending and travel in Montana are not yet available, but check our website at www.itrr.umt.edu for updates or new data.

**Table 1: Economic Impacts[1] of Nonresident Travel in Montana, 2007**

| Key Measurement | Direct Impact | Indirect Impact | Induced Impact | Total Impact |
|---|---|---|---|---|
| Total Industry Output[2] | $2,992,200,000 | $722,500,000 | $596,000,000 | $4,310,700,000 |
| Contribution to Individuals | | | | |
| Personal Income[3] | $710,000,000 | $168,700,000 | $176,100,000 | $1,054,800,000 |
| Employment[4] | 33,200 | 5,490 | 6,140 | 44,830 |
| Contribution to Governments | | | | |
| Federal Taxes | $183,170,000 | $42,760,000 | $45,280,000 | $271,210,000 |
| State/Local Taxes | $159,910,000 | $36,290,000 | $38,910,000 | $235,100,000 |

Source: ITRR.
[1]Definitions: *Direct impacts* result from the purchases of goods and services made by nonresident travelers; *Indirect impacts* result from the purchases made by travel-related businesses (e.g., suppliers); *Induced impacts* result from purchases by those employed in travel-related occupations. The *total impact* is the sum of these impacts.
[2]Industry output is defined as the value of an industry's total production.
[3]Comprises both employee compensation and proprietors' income.
[4]Includes full-time and part-time jobs.

# TRAVEL VOLUME

## *Nonresident Travel in Montana*

- Nonresident travel to Montana, including both pleasure and business travel[6], increased in 2007 to over 10.68 million individual travelers, continuing the steady increase beyond the 10 million nonresident traveler mark reached in 2005. Overall, the 2007 figure is a 2.9 percent increase from 2006 and a 20.2 percent increase over 1997 visitation (Table 2, Figure 1).

- Likewise, nonresident travel *groups* (2.45 nonresident travelers per group) also increased 2.9 percent from 2006 to 2007 (Table 2, Figure 2). Over the 11-year period from 1997 to 2007, groups of nonresident travelers increased a cumulative 18.6 percent, or 683,000 groups.

- Of Montana's 10.68 million visitors in 2007, 34 percent or 3,633,000 people came to Montana primarily for vacation[7] (Figure 3). Nineteen percent, or 2,030,000 people, were here to visit friends and relatives, while 13 percent, or 1,389,000 nonresidents traveled in the state primarily for business reasons. Twenty-seven percent, or 2,885,000 million travelers, were just passing through the state to their destination.[8]

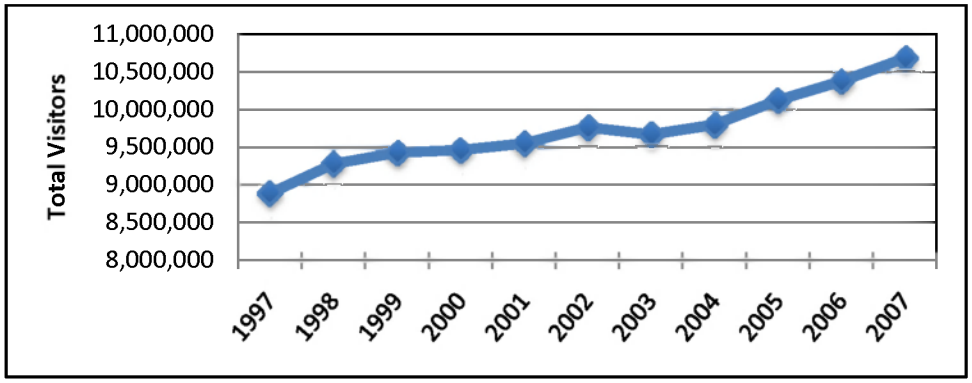
**Table 2: Montana Nonresident Travel Volume, 1997-2007**

| Year | Nonresident Visitors | Percent change from previous year | Nonresident Travel Groups | Percent change from previous year |
|---|---|---|---|---|
| 1997 | 8,889,000 | 2.2% | 3,677,000 | 2.2% |
| 1998 | 9,280,000 | 4.4 | 3,839,000 | 4.4 |
| 1999 | 9,428,000 | 1.6 | 3,900,000 | 1.6 |
| 2000 | 9,465,000 | 0.4 | 3,916,000 | 0.4 |
| 2001 | 9,552,000 | 0.9 | 3,931,000 | 0.4 |
| 2002 | 9,767,000 | 2.3 | 4,009,000 | 2.0 |
| 2003 | 9,670,000 | -1.0 | 4,177,000 | 4.2 |
| 2004 | 9,800,000 | 1.3 | 4,241,000 | 1.5 |
| 2005 | 10,126,000 | 3.3 | 4,129,000 | -2.6 |
| 2006 | 10,378,000 | 2.5 | 4,236,000 | 2.6 |
| 2007 | 10,684,000 | 2.9 | 4,360,000 | 2.9 |
| Total Increase 1997-2007 | 1,795,000 | 20.2% | 683,000 | 18.6% |

Source: ITRR.

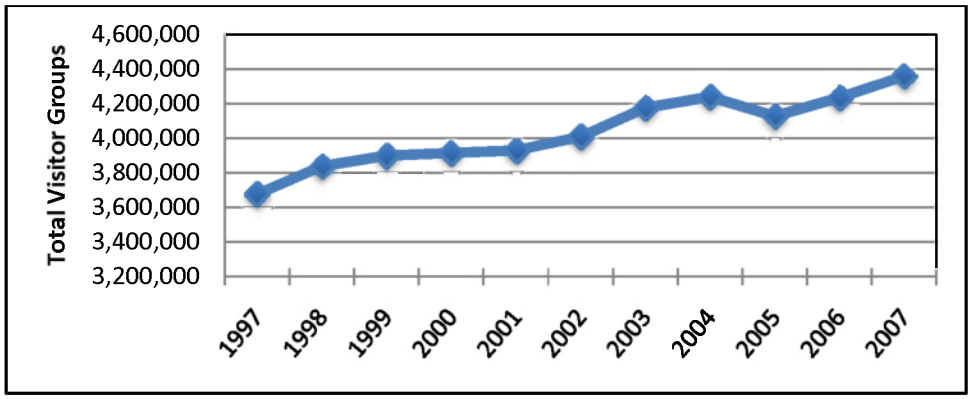
[6] While nonresident travel to Montana includes both pleasure and business travel, excluded from the survey are business vehicles such as semi-trucks, as well as vehicles with state and federal government license plates.
[7] see Nickerson and Oschell 2006.
[8] The percentages of nonresidents' primary purpose of travel are based on data collected for the 2005 Montana Nonresident Travel Survey.

**Figure 1: Montana Nonresident Visitors, 1997-2007**



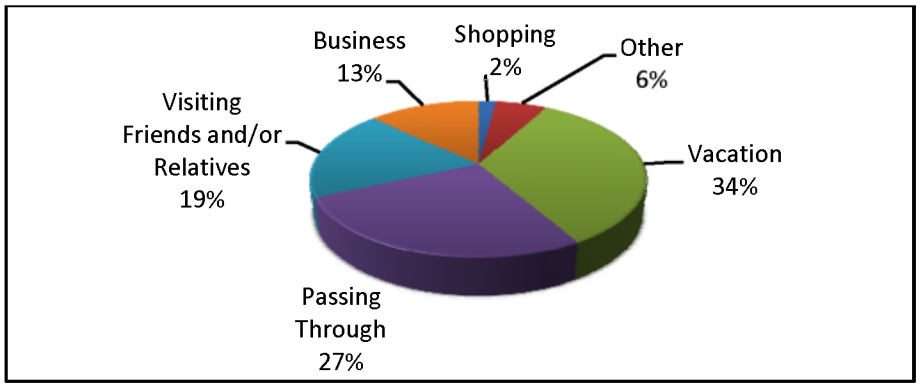

Source: ITRR.

**Figure 2: Montana Nonresident Travel Groups, 1997-2007**




Source: ITRR.

**Figure 3: Montana Nonresident Primary Purpose of Travel, 2005[9]**




Source: ITRR.

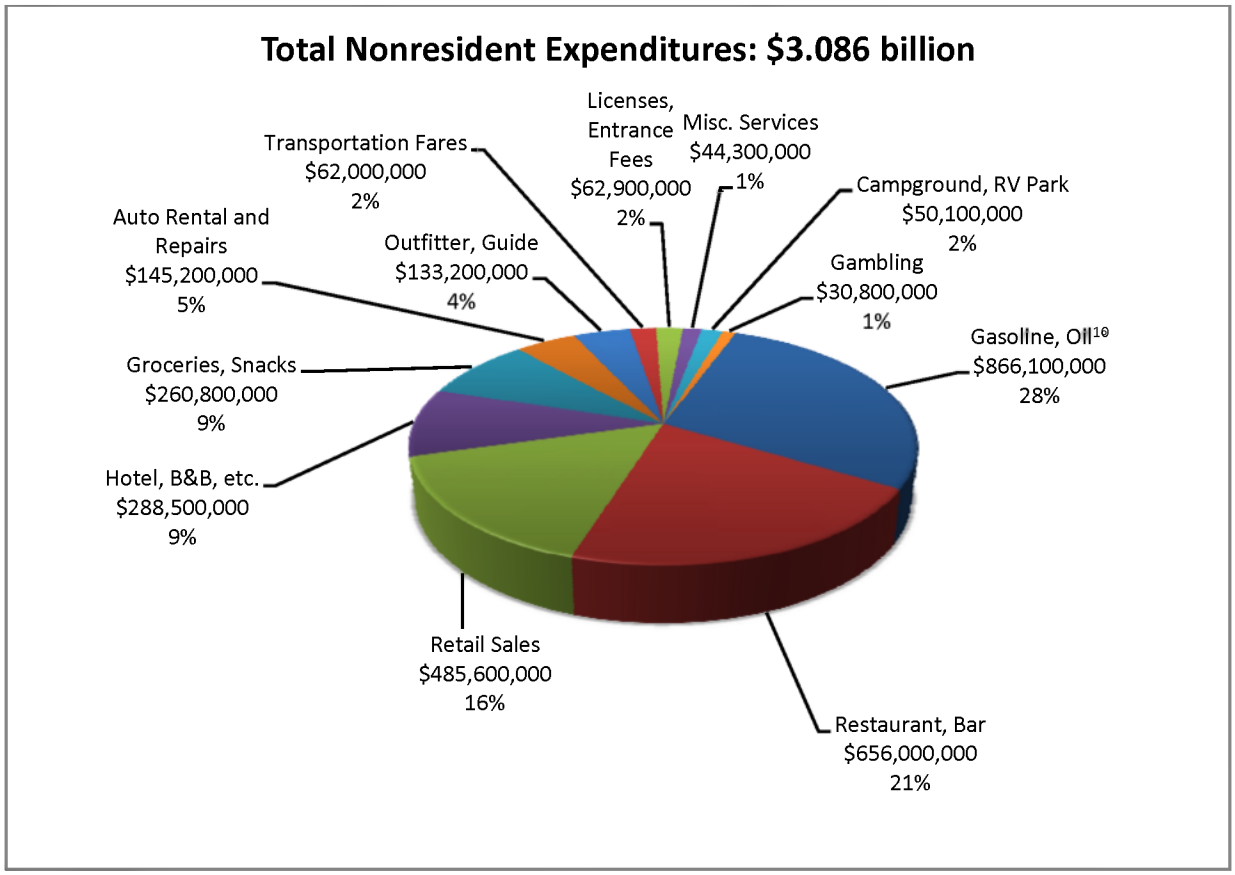
[9] The percentages of nonresidents' primary purpose of travel are based on data collected for the 2005 Montana Nonresident Travel Survey.

# TRAVEL EXPENDITURES

## *Nonresident Expenditures in Montana*

- It is estimated that nonresident travelers spent more than $3.086 billion on travel-related goods and services in Montana in 2007. The largest spending category was gasoline and oil, accounting for 28 percent of the total, or approximately $866 million (Figure 4)[10].
- Purchases at restaurants and bars constituted the second-largest spending category, representing 21 percent of the total, or $656 million.
- Retail sales comprised 16 percent of total expenditures, almost $486 million, while lodging accounted for 9 percent, or over $288 million.

**Figure 4: Nonresident Expenditures and Distribution, 2007**




Source: ITRR.
Note: Percentages may not add to 100% due to rounding.

[10] Recent increases in fuel prices are not reflected in these data; figures are based on data collected for the 2005 Montana Nonresident Travel Survey and have been inflated to 2007 dollar values.

## *Nonresident Expenditure Trends*

- Nonresident travel expenditures, including both domestic and international visitors, totaled over $3.086 billion in 2007 (Table 3).

- Travel expenditures have grown steadily over the eleven-year period, and, as of 2007, constituted 9.0 percent of Gross Domestic Product by State.

**Table 3: Nonresident Travel Expenditures and Gross Domestic Product by State, 1997-2007**

| Year | Nonresident Travel Expenditures in Montana (millions 2007$) | Gross Domestic Product by State[1] (millions 2007$) | Nonresident Travel Expenditures as % of GDP by State |
|---|---|---|---|
| 1997 | $1,873 | $24,728 | 7.6% |
| 1998 | $1,956 | $25,293 | 7.7 |
| 1999 | $1,986 | $25,395 | 7.8 |
| 2000 | $1,994 | $25,726 | 7.8 |
| 2001 | $2,013 | $26,308 | 7.7 |
| 2002 | $2,074 | $27,154 | 7.6 |
| 2003 | $2,112 | $28,709 | 7.4 |
| 2004 | $2,149 | $30,276 | 7.1 |
| 2005 | $2,926 | $31,728 | 9.2 |
| 2006 | $2,997 | $32,905 | 9.1 |
| 2007 | $3,086 | $34,253 | 9.0 |
| **Percent change from previous year** | | | |
| 1997 | 2.0% | n/a | |
| 1998 | 4.4 | 2.3% | |
| 1999 | 1.6 | 0.4 | |
| 2000 | 0.4 | 1.3 | |
| 2001 | 1.0 | 2.3 | |
| 2002 | 3.1 | 3.2 | |
| 2003 | 1.8 | 5.7 | |
| 2004 | 1.8 | 5.5 | |
| 2005 | n/a[2] | 4.8 | |
| 2006 | 2.4 | 3.7 | |
| 2007 | 3.0 | 4.1 | |

Sources: ITRR; U.S. Bureau of Economic Analysis.

[1] "GDP by State" is simply defined by the BEA as "the value added in production by the labor and property located in a state." GDP is a similar concept but at the national level (and includes military expenses abroad). For more detail, see Beemiller et al. 1999.

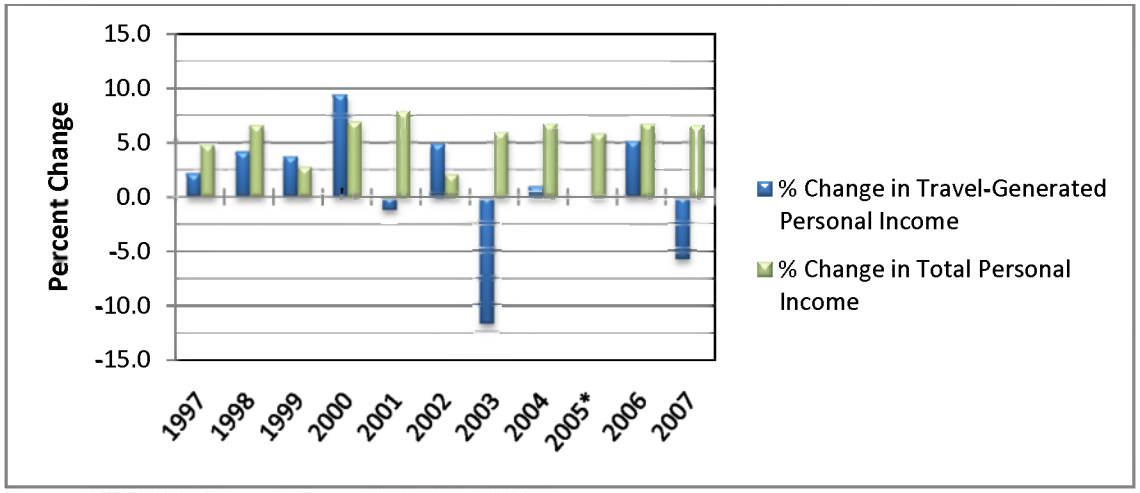
[2] Due to new data in the Institute's Nonresident Visitation Estimation Model and Nonresident Expenditure Estimation Model, the 2005 figure should not be compared to previous years.

## TRAVEL-GENERATED INCOME

Personal income generated from the expenditures of nonresident visitors to Montana is comprised of two categories: employee compensation, which is wages and salary income paid to employees of businesses within the travel industry; and proprietors' income, which is the income of self-employed workers in businesses serving travelers.

- In 2007, total personal income paid by travel-related firms in Montana attributable to nonresident visitor spending totaled over $1.0 billion (Table 4).
- On average, every dollar spent by nonresident travelers in Montana in 2007 generated 34.2 cents in wage and salary income for Montana residents. The national equivalent is 26.2 cents[11].
- Personal income generated by nonresident spending in Montana constituted 3.4 percent of Montana residents' total personal income in 2007, compared to 1.6 percent at the national level (2006 estimate)[12].
- Figure 5 shows that total personal income has grown between 2.1 and 7.9 percent per year over the 11 year period while travel generated income has been more volatile.

**Figure 5: Change in Travel-Generated and Total Personal Income, 1997-2007**




Sources: ITRR; U.S. Bureau of Economic Analysis (SA04).
*Travel-generated income in 2005 cannot be compared with the previous year due to changes in model data.

[11] Travel Industry Association, 2007; 2006 total travel expenditures in U.S. and travel-generated payroll.
[12] Based on Bureau of Economic Analysis (SA04) and Travel Industry Association estimates.

**Table 4: Travel-Generated and Total Montana Personal Income, 1997-2007**

| Year | Travel-Generated Personal Income (millions 2007$) | Total Personal Income (millions 2007$) | Travel-Generated Income as % of Total Personal Income |
|---|---|---|---|
| 1997 | $771 | $22,850 | 3.4% |
| 1998 | $803 | $23,987 | 3.3 |
| 1999 | $833 | $24,111 | 3.5 |
| 2000 | $912 | $24,944 | 3.7 |
| 2001 | $900 | $26,177 | 3.4 |
| 2002 | $943 | $26,300 | 3.6 |
| 2003 | $832 | $27,244 | 3.1 |
| 2004 | $839 | $28,333 | 3.0 |
| 2005 | $1,065[1] | $28,993 | 3.7 |
| 2006 | $1,120 | $29,982 | 3.7 |
| 2007 | $1,055[2] | $31,090 | 3.4 |
| **Percent change from previous year** | | | |
| 1997 | 2.1% | 4.8% | |
| 1998 | 4.1 | 6.6 | |
| 1999 | 3.7 | 2.7 | |
| 2000 | 9.4 | 6.9 | |
| 2001 | -1.3 | 7.9 | |
| 2002 | 4.8 | 2.1 | |
| 2003 | -11.8 | 6.0 | |
| 2004 | 0.9 | 6.8 | |
| 2005 | n/a[1] | 5.8 | |
| 2006 | 5.1 | 6.7 | |
| 2007 | -5.8[2] | 6.6 | |

Sources: ITRR; U.S. Bureau of Economic Analysis.

[1]Due to new IMPLAN model data and structural matrices, as well as new data in the Institute's Nonresident Expenditure Estimation Model, the 2005 figure should not be compared to previous years.

[2]The 2007 figure is based on updated IMPLAN model data. Changes in model data are reflective of changes in Montana's economy, as indicated by economic data recorded by multiple federal agencies.

## TRAVEL-GENERATED EMPLOYMENT

Tourism is not a specifically defined industry, which can make it difficult to gauge the importance of travel to Montana's economy in terms of employment and income. The travel industry is quite diverse, and, therefore, supports a wide variety of jobs throughout the state, both full-time and part-time, year-round and seasonal. Nonresident travel supports jobs in every one of Montana's industry segments (Grau, 2007).

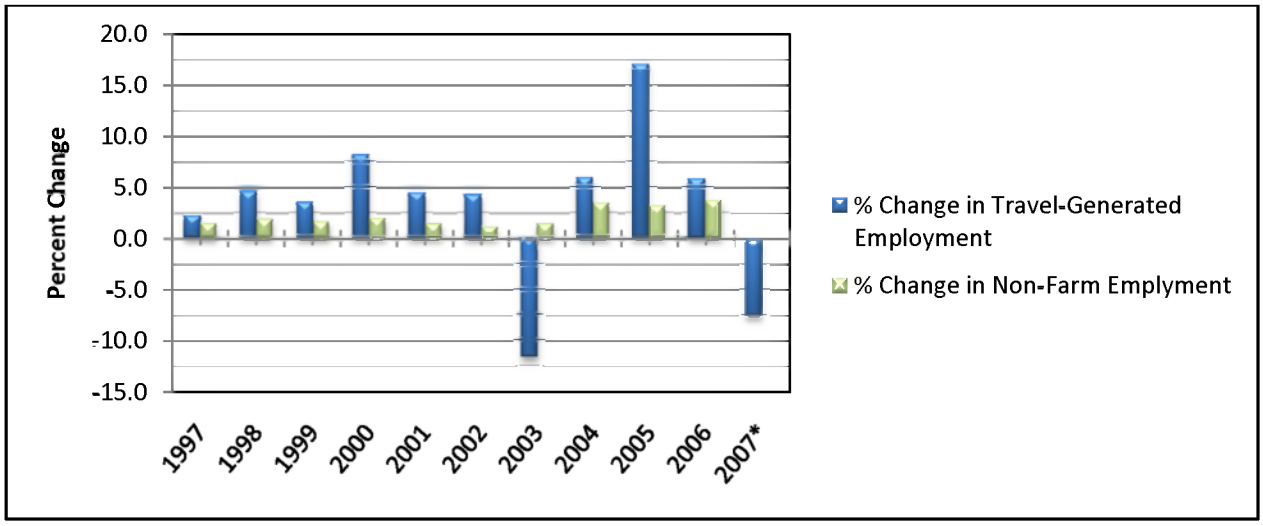
- The number of jobs in the travel industry tends to fluctuate more than non-farm employment in Montana. In general, however, there is a higher rate of growth in travel-generated jobs than in other non-farm jobs. Only during two years of the past 11 was there a decrease in the number of jobs attributable to nonresident travel. Tourism was a bit slow in 2003; it is possible that the numerous wildfires across the state may have impacted summer and fall travel. Again, in 2007, wildfires affected the success of the tourism season, with fires resulting in closures of roads and recreation areas often used by nonresident travelers. The decrease in employment in 2007 is also reflective of changes in the IMPLAN model data, which are based on economic data collected by several federal agencies.

- Because much of the employment in this sector is seasonal and part-time, its labor force is much more flexible than many other industries and can quickly accommodate both strong and weak years.

- In 2007, nonresident expenditures in Montana supported almost 45,000 jobs (Table 5). This represents a 36 percent increase over 1997.

- It is estimated that every $68,826 spent by nonresident travelers in Montana supports one job. The estimated equivalent figure for the U.S. is $92,774 for one job[13].

**Figure 6: Change in Travel-Generated and Non-Farm Employment, 1997-2007[1]**




Sources: ITRR; U.S. Bureau of Economic Analysis.
*BEA 2007 data unavailable
[1]The 2007 figure is based on updated IMPLAN model data. Changes in model data are reflective of changes in Montana's economy, as indicated by economic data recorded by multiple federal agencies.

[13] Travel Industry Association of America, 2007; Total travel expenditures divided by travel-generated employment.

**Table 5: Travel-Generated and Total Montana Non-Farm Employment[1], 1997-2007**

| Year | Travel-Generated Employment | Total Non-Farm Employment | Travel-Generated Employment as % of Total Non-Farm Employment |
|---|---|---|---|
| 1997 | 32,900 | 498,900 | 6.6% |
| 1998 | 34,400 | 508,200 | 6.8 |
| 1999 | 35,600 | 516,400 | 6.9 |
| 2000 | 38,500 | 526,500 | 7.3 |
| 2001 | 40,200 | 533,900 | 7.5 |
| 2002 | 41,900 | 539,800 | 7.8 |
| 2003 | 37,000[2] | 547,500 | 6.8 |
| 2004 | 39,200 | 566,300 | 6.9 |
| 2005 | 45,900[3] | 584,300 | 7.9 |
| 2006 | 48,580 | 605,800 | 8.0 |
| 2007 | 44,830[4] | n/a | |
| **Percent change from previous year** | | | |
| 1997 | 2.2% | 1.4% | |
| 1998 | 4.6 | 1.9 | |
| 1999 | 3.5 | 1.6 | |
| 2000 | 8.1 | 2.0 | |
| 2001 | 4.4 | 1.4 | |
| 2002 | 4.2 | 1.1 | |
| 2003 | -11.7 | 1.4 | |
| 2004 | 5.9 | 3.4 | |
| 2005 | 17.1 | 3.2 | |
| 2006 | 5.8 | 3.7 | |
| 2007 | -7.7 | | |

Sources: ITRR; U.S. Bureau of Economic Analysis.

[1]Employment denotes full-time and part-time jobs.

[2]Due to IMPLAN model changes, this figure, and those that follow, reflect NAICS-based employment multipliers. Figures from 2002 and earlier use SIC-based employment multipliers. Caution should be used when comparing the 2003-2007 figures with previous years.

[3]New IMPLAN data and structural matrices were used in the calculation of this figure. Readers should be aware of this when comparing 2005 figures with previous years.

[4]The 2007 figure is based on updated IMPLAN model data. Changes in model data are reflective of changes in Montana's economy, as indicated by economic data recorded by multiple federal agencies.

# MONTANA'S EMPLOYMENT STRUCTURE

## *The Travel Industry's Market Share in Montana*

Over the past several decades, the U.S. economy has shifted considerably away from manufacturing and extractive natural resource industries and toward service industries. With advances in technology and the aging of the baby boomer generation, there are new segments of the service industry that did not exist 20 years ago, and other segments, such as health care, are growing rapidly. Table 6 displays the number of jobs in each sector attributed to nonresident travel in the state (using IMPLAN software). Total employment in each sector, after nonresident travel-generated jobs have been accounted for, is displayed in Table 7.

- Nonresident travel-generated jobs amounted to almost 45,000 in 2007.
- Nonresident travel accounts for a significant portion, 12.0 percent, of the growing services sector in Montana (Table 6). It also directly or indirectly accounts for jobs in every other industry sector as well.
- The largest sector of Montana's economy, in terms of employment, is services, accounting for a full 33 percent (Figure 7, Table 7). State and local government employment and retail trade employment each comprise 11 percent of the state's employment.

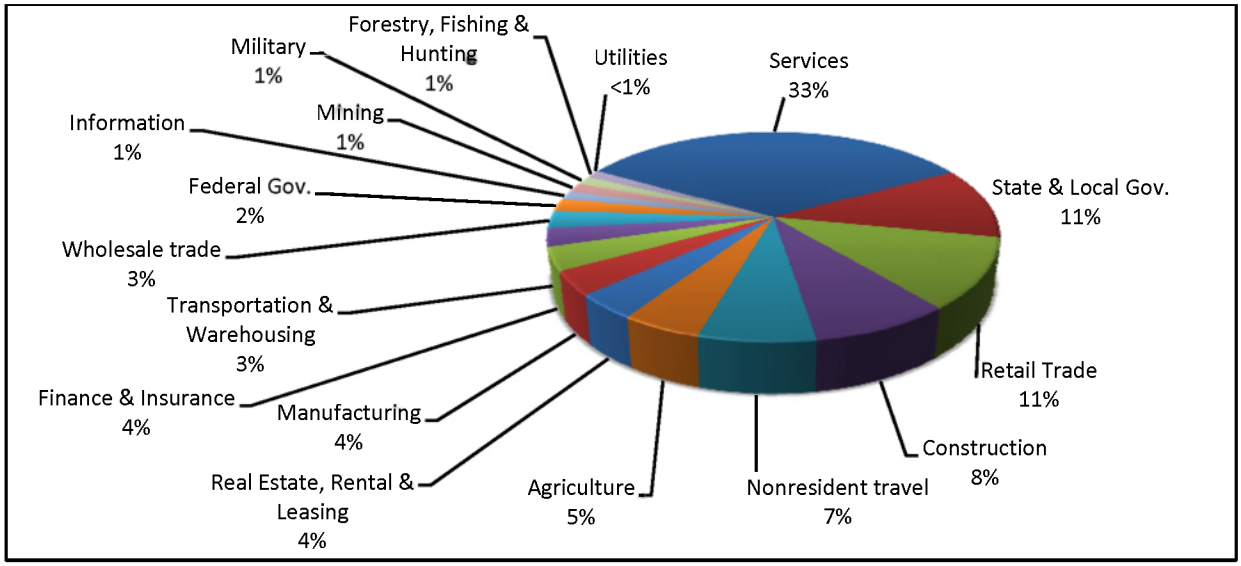
**Table 6: Employment Attributable to Nonresident Travel, 2007**

| Employment Sectors | Total Industry Employment (2006) | Nonresident Travel-Generated Employment (2007) | Nonresident Travel-Generated Employment as % of Total |
|---|---|---|---|
| Services | 242,620 | 29,209 | 12.0% |
| Wholesale trade | 18,789 | 1,912 | 10.2 |
| Retail trade | 75,037 | 6,087 | 8.1 |
| Transportation & warehousing | 18,841 | 1,528 | 8.1 |
| Federal government | 13,528 | 1,011 | 7.5 |
| Real estate, rental & leasing | 26,159 | 1,580 | 6.0 |
| Information | 9,644 | 280 | 2.9 |
| Manufacturing | 23,886 | 658 | 2.8 |
| Utilities | 3,088 | 78 | 2.5 |
| State & local government | 71,547 | 1,275 | 1.8 |
| Farm | 31,567 | 551 | 1.7 |
| Finance & insurance | 23,005 | 302 | 1.3 |
| Mining | 9,046 | 100 | 1.1 |
| Forestry, fishing, related activities & other | 8,021 | 39 | 0.5 |
| Construction | 54,370 | 205 | 0.4 |
| Military | 8,253 | 0 | 0.0 |
| Total | 637,401 | 44,815[1] | Travel jobs as % of total 7.0% |

Sources: ITRR; U.S. Bureau of Economic Analysis.

[1] Nonresident travel employment figures are ITRR estimates based on expenditures. Travel is not an isolated industry since activity associated with travel is part of other sectors. ITRR has estimated the impacts of nonresident travel to various sectors and subtracted those impacts from the affected industries' employment figures to avoid double-counting.

**Figure 7: Montana's Employment Structure, 2007**




Sources: ITRR; U.S. Bureau of Economic Analysis.
Note: Numbers may not add to 100% due to rounding.

**Table 7: Employment Structure in Montana, 2007[1]**

| Employment Sectors[2] | Number of Jobs[2] | % of Total |
|---|---|---|
| Services | 213,411 | 33.5% |
| State & local government | 70,272 | 11.0 |
| Transportation & warehousing | 17,313 | 10.8 |
| Construction | 54,165 | 8.5 |
| Nonresident travel | 44,815 | 7.0 |
| Farm | 31,016 | 4.9 |
| Real estate, rental & leasing | 24,579 | 3.9 |
| Manufacturing | 23,228 | 3.6 |
| Finance & insurance | 22,703 | 3.6 |
| Retail trade | 68,950 | 2.7 |
| Wholesale trade | 16,877 | 2.6 |
| Federal government | 12,517 | 2.0 |
| Information | 9,364 | 1.5 |
| Mining | 8,946 | 1.4 |
| Military | 8,253 | 1.3 |
| Forestry, fishing, related activities & other | 7,982 | 1.3 |
| Utilities | 3,010 | 0.5 |
| Total | 637,401 | 100.0% |

Sources: ITRR; U.S. Bureau of Economic Analysis.
[1]Nonresident travel employment is a 2007 figure, while the remainder of the employment sectors reflect 2006 U.S. BEA data.
[2]Includes both full-time and part-time jobs.

## TRAVEL-GENERATED TAX REVENUE

The travel tax receipts discussed below consist of the federal, state and local tax revenues attributable to nonresident travel spending in Montana[14]. Because Montana does not have a sales tax, the state and local tax receipts generated by nonresident travelers are generally lower than other states. Montana does, however, have a statewide accommodations tax of seven percent on overnight lodging. In addition, nonresident travelers contribute to the tax base through the payment of excise taxes on items such as those on gasoline and alcohol, and by supporting industries that pay corporate taxes and whose workers pay income, property and other taxes.

- Nonresident travel spending in Montana generated over $506 million in revenue for federal, state and local governments in 2007[15] (Table 8).
- In 2007, federal tax revenue attributable to nonresident travel expenditures in Montana exceeded $271 million, or 12.1 percent of the total Montana federal collections (Table 9).
- At the state and local level, nonresident travel expenditures generated $235 million in tax revenue in 2007, 7.6 percent of the Montana total state and local collections (Table 9).

**Table 8: Travel-Generated Tax Revenue, 2006/2007**

| Level of Government | Tax Revenue (2007$) | Percent of Year's Total |
|---|---|---|
| 2006 Tax Revenue | | |
| Federal | $423,816,000 | 64% |
| State/Local | $237,007,000 | 36% |
| Total | $660,823,000 | 100% |
| 2007 Tax Revenue | | |
| Federal | $271,208,000 | 54% |
| State/Local | $235,104,000 | 46% |
| Total | $506,312,000 | 100% |

Source: ITRR.
[1]It should be noted that the figures for the two years were both generated using IMPLAN, but that the IMPLAN model data was updated in 2007. Changes in model data are reflective of changes in Montana's economy, as indicated by economic data recorded by multiple federal agencies.

[14] Tax impacts are estimated using the IMPLAN input/output model and include indirect business taxes (property tax, motor vehicle license, duties, and other taxes and fees), personal taxes (income tax, property tax, motor vehicle license, fishing/hunting license, and other fees and fines), social security taxes (employee and employer contributions), corporate profits tax, Montana's Accommodations Tax, alcohol and tobacco taxes, fuel taxes, dividends at federal, state, and local levels, and others.
[15] For further detail on IMPLAN's tax impact estimations, see Olson 1999.

Comparisons between Montana total tax and the nonresident travel-generated total tax can be difficult. This is mainly due to which Montana total tax figure is being used. Different agencies often use different data collection methods and measurements to fit their specific needs. Unfortunately, these comparisons can show considerable variation in the nonresident travel industry's contribution to Montana's total tax depending on what source is used. In an effort to highlight these differences, two federal and three state and local tax data sources are used for comparison to nonresident travel-generated taxes (Table 9). For further details on these tax figures, refer to Appendix B.

- In 2007, nonresident travelers contributed over $271 million in federal taxes. This represents 6.0 percent of Montana's total federal tax collections when compared to the Internal Revenue Service (IRS) figure of over $4.5 billion. However, when compared to the Bureau of Economic Analysis (BEA) total federal tax for Montana, nonresidents' contribution is 12.1 percent of the state's total federal tax revenues. The BEA's total federal taxes are lower than the IRS figures due to the apparent exclusion of corporate taxes, as well as several other components of total IRS collections (See Appendix B).

- Over $235 million in total state and local taxes are attributable to nonresident travelers. When compared to Census Bureau data, this comprises 7.6 percent of Montana's total state and local tax collections. However, when compared to the Montana Department of Revenue (DOR) and BEA figures, nonresident travel-generated tax contributions are 9.2 and 25.2 percent, respectively, to Montana total state and local taxes. The Census figure of over $3.1 billion in total state and local taxes seems to be the most tax-inclusive of the three state and local total tax sources and is likely the most accurate for comparisons with nonresident travel. The Montana DOR total state and local tax is less than the Census figure since it does not account for taxes that go directly to other agencies (i.e. Dept. of Transportation through motor fuel taxes, licensing, permits, etc.; Dept. of Justice through fines, gambling taxes, fees, etc.). The BEA state and local total tax is lower still and appears to be understating total state and local property tax contributions.

**Table 9: Montana and Nonresident Travel-Generated Total Taxes**

| Level of Government | Montana Total Tax (2007$) | Travel-Generated Total Tax[1] (2007$) | Travel Industry as % of Montana Total |
|---|---|---|---|
| Federal | | | |
| IRS report, 2007 | $4,522,680,000 | $271,208,000 | 6.0% |
| BEA report, 2006 | $2,244,463,000 | $271,208,000 | 12.1% |
| State/Local | | | |
| Census report, 2006 | $3,105,675,000 | $235,104,000 | 7.6% |
| MT Dept. of Revenue report, 2007[2] | $2,549,378,000 | $235,104,000 | 9.2% |
| BEA report, 2006 | $933,653,000 | $235,104,000 | 25.2% |

Definitions: BEA=U.S. Bureau of Economic Analysis; Census=U.S. Census Bureau; IRS=Internal Revenue Service.
[1]Both federal and state/local tax figures are estimated using the IMPLAN input-output model.
[2] L. Silbaugh, Economist, MT Department of Revenue, personal communication, July 14, 2008.

## TRAVEL INFLATION

*The following section provides information developed by the Travel Industry Association of America (TIA), and deals with national conditions rather than conditions specific to Montana. This is due to incomplete or nonexistent information at the state level. TIA has kindly provided permission for reproducing this information.*

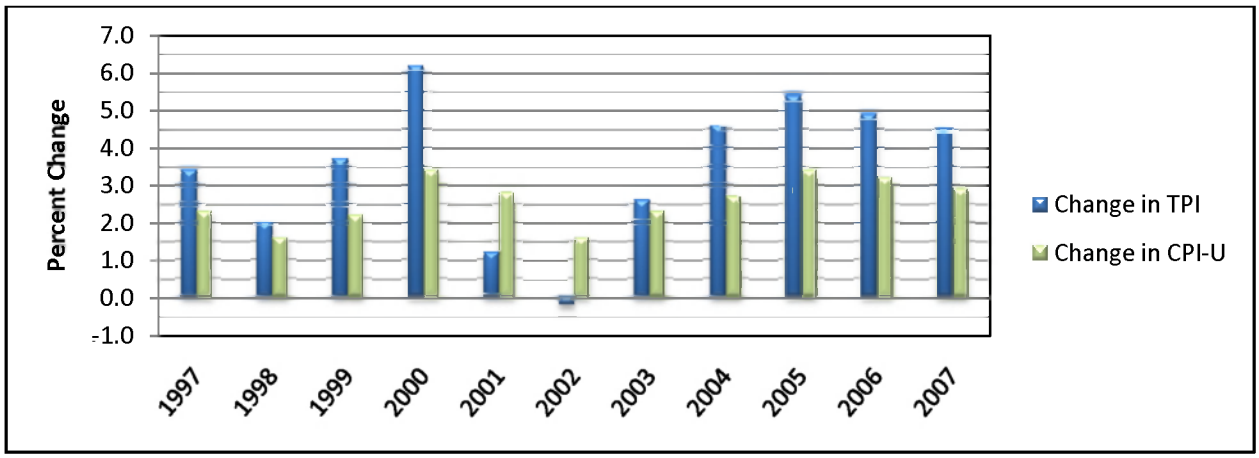
Demand for travel is highly sensitive to price inflation. When overall consumer prices increase faster than per capita personal income, usually occurring in economic downturns, consumers tend to reduce discretionary spending. This, in turn, can reduce demand for leisure travel while consumers continue to buy necessities. It may be true that Americans still travel during such economic downturns—it seems to be true that many of us consider a yearly vacation to be our right—but it is likely that spending patterns on those vacations change to accommodate tighter budgets or that the travelling which does occur tends to be closer to home and of shorter duration. During periods of economic growth, incomes usually rise faster than prices, and consumers enjoy greater purchasing power for discretionary purchases, including leisure travel.

TIA developed the Travel Price Index (TPI) to measure changes in the cost of travel within the United States. The TPI is based on price data collected by the U.S. Department of Labor for its monthly Consumer Price Index, All Urban Consumers (CPI-U). Because the TPI is based on the CPI series, it is directly comparable to the CPI, but it does not necessarily represent all the discounting which occurs in the pricing structure of airline seats and motel rooms, etc.

- The change in Travel Price Index is generally greater than the change in Consumer Price Index, with just two exceptions in the 11-year period from 1997 through 2007 (Figure 8). These two exceptions, 2001 and 2002, occurred as the travel industry was impacted by the events of September 11, 2001.

- In recent years, transportation is the component of the Travel Price Index which increased most from year to year. This is mainly attributable to the high rate of motor fuel inflation, which ranged from an increase of 8.2 percent to 22.0 percent during the last five years (Table 10).

**Figure 8: Change in Travel Price and Consumer Price Indices, 1997-2007**




Sources: Bureau of Labor Statistics; Travel Industry Association of America.

**Table 10: Travel Price Index, 1997-2007**

| Component (1982-1984=100) | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Transportation** | 145.6 | 140.2 | 150.5 | 175.2 | 172.5 | 164.7 | 175.5 | 187.7 | 211.7 | 230.6 | 242.6 |
| **Airline Fares** | 199.2 | 205.3 | 218.8 | 239.4 | 239.4 | 231.6 | 231.3 | 227.2 | 236.6 | 247.3 | 251.7 |
| **Intracity Trans**[1] | 175.8 | 174.2 | 172.4 | 174.9 | 180.1 | 184.1 | 197.4 | 208.9 | 218.5 | 225.9 | 230.6 |
| **Intercity Trans**[2] | 155.1 | 160.4 | 160.6 | 156.3 | 154.4 | 155.0 | 150.1 | 146.4 | 148.6 | 154.6 | 153.9 |
| **Motor Fuel** | 106.2 | 92.2 | 100.7 | 129.3 | 124.7 | 116.6 | 135.8 | 160.4 | 195.7 | 221.0 | 239.1 |
| **Out-of-Town Lodging** | 224.1 | 234.5 | 241.2 | 252.4 | 254.0 | 251.4 | 252.2 | 265.3 | 274.2 | 285.6 | 299.9 |
| **Food and Beverage** | 158.5 | 162.6 | 166.7 | 170.7 | 175.7 | 180.3 | 184.2 | 189.7 | 195.7 | 201.9 | 209.3 |
| **Recreation Services** | 183.8 | 189.5 | 197.8 | 206.7 | 214.9 | 221.5 | 230.4 | 236.0 | 241.6 | 250.0 | 258.0 |
| **TPI** | 173.7 | 177.1 | 183.7 | 195.1 | 197.4 | 197.0 | 202.0 | 211.3 | 222.6 | 233.5 | 244.0 |
| **CPI-U** | 160.5 | 163.0 | 166.6 | 172.2 | 177.1 | 179.9 | 184.0 | 188.9 | 195.3 | 201.6 | 207.3 |
| **Percent change from previous year** | | | | | | | | | | | |
| **Transportation** | 1.9% | -3.7% | 7.4% | 16.4% | -1.5% | -4.5% | 6.5% | 7.0% | 12.8% | 8.9% | 5.2% |
| **Airline Fares** | 3.5 | 3.0 | 6.6 | 9.4 | 0.0 | -3.3 | -0.1 | -1.8 | 4.1 | 4.5 | 1.8 |
| **Intracity Trans.** | 1.5 | -0.9 | -1.0 | 1.4 | 3.0 | 2.2 | 7.2 | 5.9 | 4.6 | 3.4 | 2.1 |
| **Intercity Trans.** | -0.6 | 3.5 | 0.1 | -2.6 | -1.2 | 0.4 | -3.2 | -2.4 | 1.5 | 4.1 | -0.5 |
| **Motor Fuel** | -0.1 | -13.2 | 9.3 | 28.4 | -3.6 | -6.5 | 16.4 | 18.1 | 22.0 | 13.0 | 8.2 |
| **Out-of-Town Lodging** | 4.9 | 4.6 | 2.9 | 4.7 | 0.6 | -1.0 | 0.3 | 5.2 | 3.3 | 4.2 | 5.0 |
| **Food and Beverage** | 2.9 | 2.6 | 2.5 | 2.4 | 2.9 | 2.6 | 2.2 | 3.0 | 3.2 | 3.1 | 3.7 |
| **Recreation Services** | 3.2 | 3.1 | 4.4 | 4.5 | 4.0 | 3.1 | 4.1 | 2.4 | 2.3 | 3.5 | 3.2 |
| **TPI** | 3.4 | 2.0 | 3.7 | 6.2 | 1.2 | -0.2 | 2.6 | 4.6 | 5.4 | 4.9 | 4.5 |
| **CPI-U** | 2.3 | 1.6 | 2.2 | 3.4 | 2.8 | 1.6 | 2.3 | 2.7 | 3.4 | 3.2 | 2.9 |

Sources: Bureau of Labor Statistics; Travel Industry Association of America.
[1]Includes intracity mass transit and taxicabs.
[2]Includes intercity bus and rail.

## Section 2: Montana as a Travel Destination

### Montana's Place in National Tourism
A comparison of Montana's tourism with other states.

### Montana's Nonresident Vacationer Place of Residence
An overview of the general and specific areas in which Montana's nonresident travelers reside.

### Montana's Nonresident Vacationer Attractions
Highlights Montana's top attractions, activities, and destinations for nonresidents.

### Montana State Parks
Compares nonresident and resident visitation to Montana's State Parks and Fishing Access Sites.

# MONTANA'S PLACE IN NATIONAL TOURISM

## *Tourism Receipts as Reflected by Tourism Industry Association Data*

People generally think of places like Florida, California or Las Vegas, Nevada as typical vacation spots in the United States rather than a rural, western state like Montana. Comparing traveler spending per state provides further evidence for this notion. The following data (Table 11) from the Tourism Industry Association (TIA) allow for a comparison between the states. The data from TIA differ from data collected by ITRR in several ways. TIA defines travelers as people traveling away from home overnight or traveling 50 miles or more one way from home for a day trip. The TIA data presented here do not include spending by foreign visitors. TIA data are also collected in a different manner and,therefore, are not comparable to ITRR data. ITRR figures are based on data collected through direct surveys of nonresident visitors to Montana whereas TIA figures are based on data collected from various government and proprietary sources. For these reasons, the tourist spending for Montana reported by TIA will differ significantly from ITRR tourist spending numbers.

- In terms of expenditures, California is by far the largest destination state with an influx of tourism dollars exceeding $75 billion (Table 11). Montana ranked 42nd in tourism spending, according to TIA.
- Montana's 42nd ranking, totaling $2,540 in tourism receipts, is similar to those of its bordering states and has been consistent over the years.

**Table 11: Tourist Spending per State, 2005/2001/1995**

| U.S. Rank | | | State | 2005 Receipts (millions 2007$) | % of U.S. Total |
|---|---|---|---|---|---|
| 2005 | 2001 | 1995 | | | |
| 1 | 1 | 1 | California | $75,711 | 10.5% |
| 2 | 2 | 2 | Florida | $53,063 | 7.4 |
| 3 | 4 | 4 | Texas | $39,542 | 5.5 |
| 4 | 3 | 3 | New York | $35,077 | 4.9 |
| 5 | 6 | 6 | Nevada | $29,961 | 4.2 |
| 6 | 5 | 5 | Illinois | $26,016 | 3.6 |
| 7 | 7 | 9 | Pennsylvania | $18,212 | 2.5 |
| 8 | 9 | 8 | New Jersey | $17,691 | 2.5 |
| 9 | 8 | 10 | Georgia | $17,594 | 2.4 |
| 10 | 10 | 11 | Virginia | $17,496 | 2.4 |
| 42 | 42 | 42 | Montana | $2,540 | 0.4 |
| | | | Top 10 State Totals | $330,363 | 45.9 |
| | | | U.S. Total | $719,732 | 100.0% |
| **Border State Comparison** | | | | | |
| 41 | 40 | 41 | Idaho | $2,870 | 0.4% |
| 45 | 44 | 44 | Wyoming | $2,202 | 0.3 |
| 46 | 46 | 49 | South Dakota | $1,917 | 0.3 |
| 50 | 49 | 48 | North Dakota | $1,512 | 0.2 |

Sources: Travel Industry Association of America, 2007.

- Due to its small population base, Montana fares better in terms of per-capita tourist receipts. While there is still a wide gap between Montana and the big earners (Nevada and Hawaii), Montana ranked 7th in 2005, according to TIA, with per-capita tourism receipts of $2,498 (Table 12).

- The top two states in per-capita receipts were Nevada and Hawaii at an impressive $11,679 and $7,166, respectively. Wyoming followed in 3rd with per-capita spending of $4,211. Of the other bordering states, South Dakota and North Dakota were ranked 10th and 11th, respectively, while Idaho ranked 25th.

**Table 12: 2005 Tourist Spending Per-Capita (Top 10 States and Bordering States)**

| Rank 2005 | State | 2007 Population | 2005 Per Capita Receipts (2007$) |
|---|---|---|---|
| 1 | Nevada | 2,565,982 | $11,679 |
| 2 | Hawaii | 1,283,388 | $7,166 |
| 3 | Wyoming | 522,830 | $4,211 |
| 4 | Florida | 18,251,243 | $2,907 |
| 5 | Vermont | 621,254 | $2,582 |
| 6 | New Mexico | 1,969,915 | $2,570 |
| **7** | **Montana** | **957,861** | **$2,498** |
| 8 | Alaska | 683,478 | $2,411 |
| 9 | New Hampshire | 1,315,828 | $2,409 |
| 10 | South Dakota | 796,214 | $2,408 |
| | United States | 301,621,157 | $2,386 |
| **Border State Comparison** | | | |
| 11 | North Dakota | 636,677 | $2,363 |
| 25 | Idaho | 1,429,096 | $1,914 |

Sources: Travel Industry Association of America; U.S. Census Bureau.

## VACATIONER PLACE OF RESIDENCE

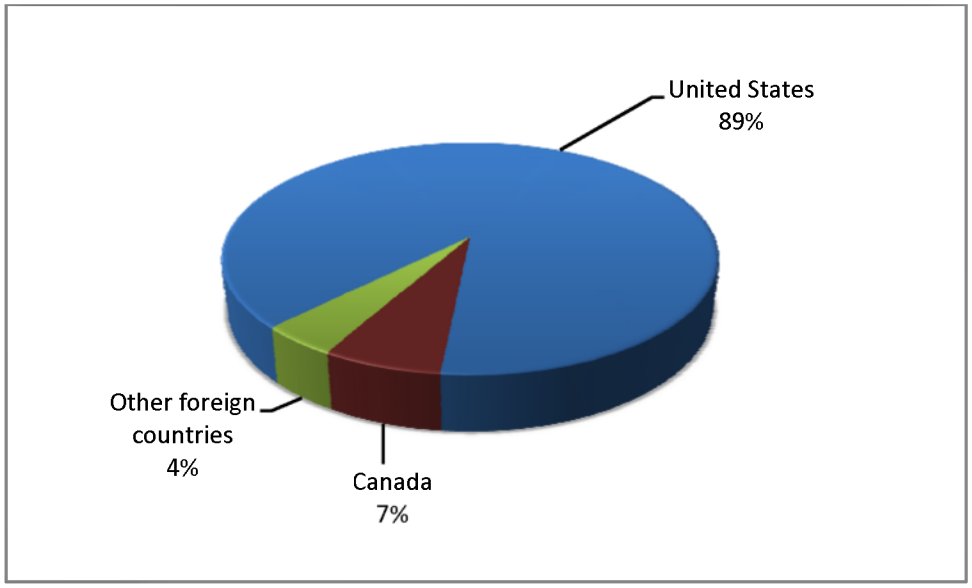
Montana's nonresident visitors come from all over the world. Although most visitors are from states nearby, many come from farther away. Of Montana's nonresident visitors, 34 percent come to Montana primarily for vacation. Of those vacationers, 89 percent are from the United States while seven percent have residence in Canada, and four percent come from other foreign countries (Figure 9). It is important to note that these data are based on the 2005 Montana Nonresident Travel Survey.

- When looking at nine U.S. regions, it is evident that most Montana visitors come from neighboring and other nearby western states (Figure 10). A full 29 percent of visitors came from the mountain region, while another 21 percent are from the pacific region.

- When looking at vacationers' state or province of residence, it is clear that many Montana vacationers call a western state home; 9.0 percent of vacationers reside in Washington while 7.5 percent are from California. Utah and Idaho follow as home for 5.6 and 5.1 percent of vacationers, respectively (Figure 11).

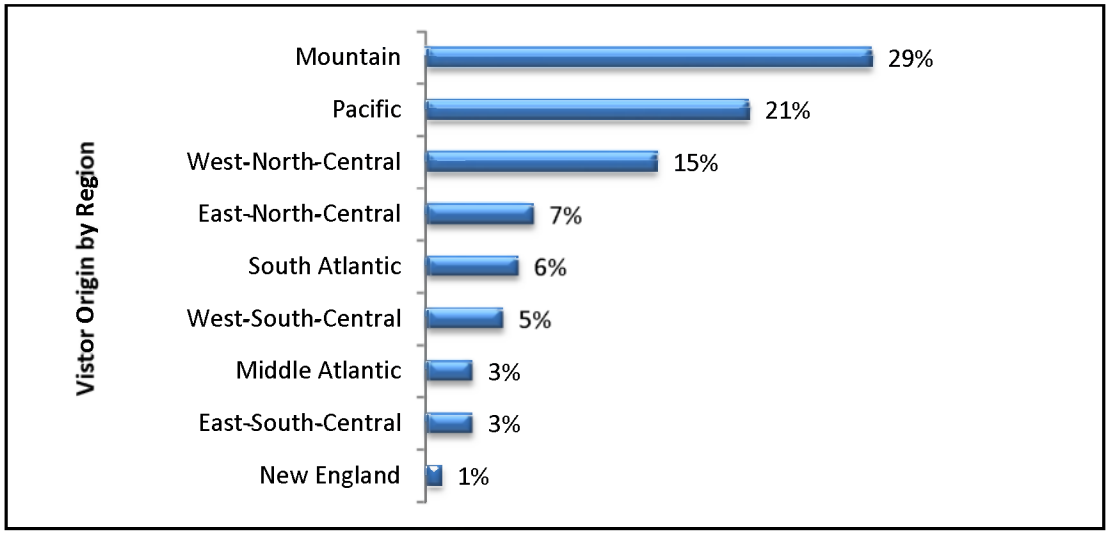
- A significant percentage (4.2%) of vacationers to Montana come from Minnesota (Figure 11), making it fifth in line of visitor population by state or province of residence.

**Figure 9: Composition of Montana's Vacationer Population, 2005**




Source: ITRR.

**Figure 10: Vacationer Population by Region[1] of Residence, 2005**

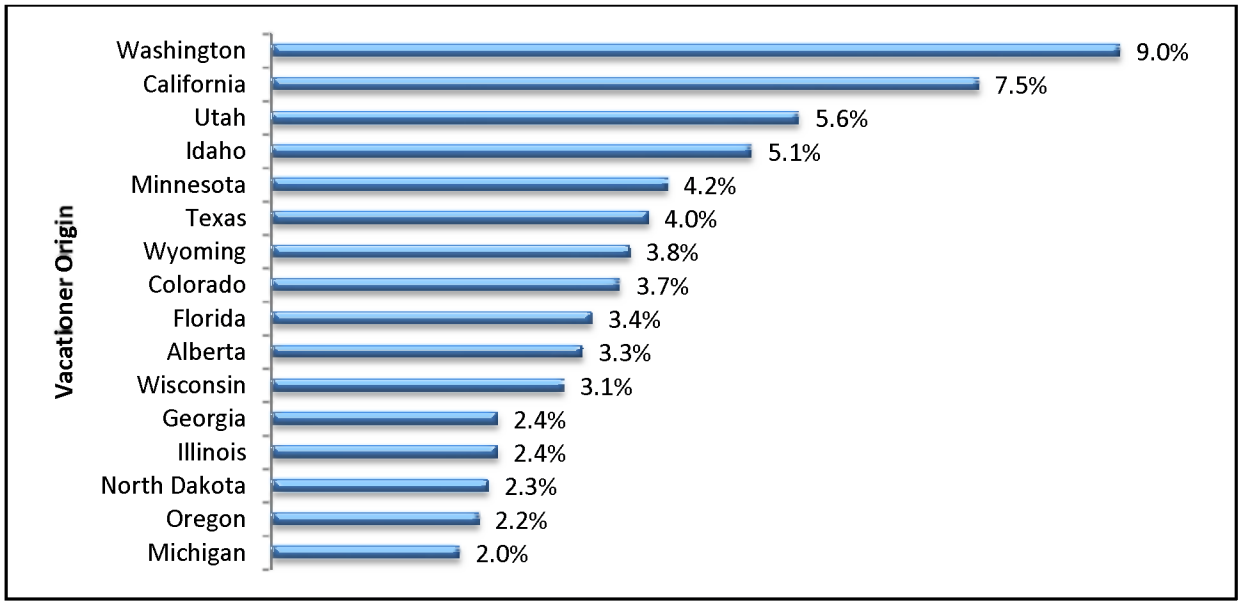



Source: ITRR.

[1] The nine regions defined here are the same regions used by Smith Travel Research, a company highly recognized for providing the travel industry with lodging performance data from around the country.

Mountain Region: ID, WY, CO, UT, NV, AZ, NM (this region also includes Montana when utilized by Smith Travel Research)
Pacific Region: AK, WA, OR, CA, HI
West-North-Central Region: MN, ND, SD, IA, NE, MO, KS
East-North-Central Region: MI, WI, IL, IN, OH
South Atlantic Region: MD, DE, WV, VA, NC, SC, GA, FL, DC
West-South-Central Region: AR, OK, TX, LA
Middle Atlantic Region: NY, PA, NJ
East-South-Central: KY, TN, AL, MS
New England: ME, NH, VT, MA, CT, RI

**Figure 11: Vacationer Population by State/Province of Residence, 2005**




Source: ITRR.

## VACATIONER ATTRACTIONS

Vacationers cite many reasons for coming to Montana. When surveyed, they are asked to indicate the Montana attraction that provided the primary reason for visiting the state, as well as what activities they engaged in while traveling in the area.

- The majority of vacationers are drawn to Montana primarily because of the state's mountains and forests or Yellowstone National Park (Table 13). Other attractions for nonresident travelers in Montana for vacation include open space and uncrowded areas, rivers, Glacier National Park and the state's wildlife and fish.

- The most frequently cited activity is driving for pleasure, with a participation rate of 62 percent (Table 14). Wildlife watching is the second most popular activity engaged in by 45 percent of vacationers. Day hiking, shopping, and picnicking are other popular activities.

- Seventy-two percent of nonresidents arrived in Montana through the top 15 entry points illustrated in Figure 12. The combined airports of Billings, Bozeman and Missoula represent the entry points for 11 percent of the visitors, while 15 percent entered the state via I-90 west from Idaho and Washington.

- Looking more closely at Figure 12, one can see that 30 percent of nonresidents arrive in Montana via Wyoming. If the two southern entry points from Idaho are included (13%), data indicate the 43 percent of Montana's nonresident visitors are coming from south of the state border.

**Table 13: Montana's Top 10 Attractions for Vacationers, 2005**

| Rank | Attraction | % who cited item as an attraction[1] |
|---|---|---|
| 1 | Mountains/ Forests | 64% |
| 2 | Yellowstone National Park[2] | 54 |
| 3 | Open space/Uncrowded areas | 50 |
| 4 | Rivers | 39 |
| 5 | Glacier National Park | 36 |
| 6 | Wildlife/Fish | 29 |
| 7 | Lakes | 27 |
| 8 | Family/Friends | 16 |
| 9 | Lewis & Clark sites | 16 |
| 10 | Native American history | 13 |

Source: ITRR.

[1]Respondents could select more than one activity.

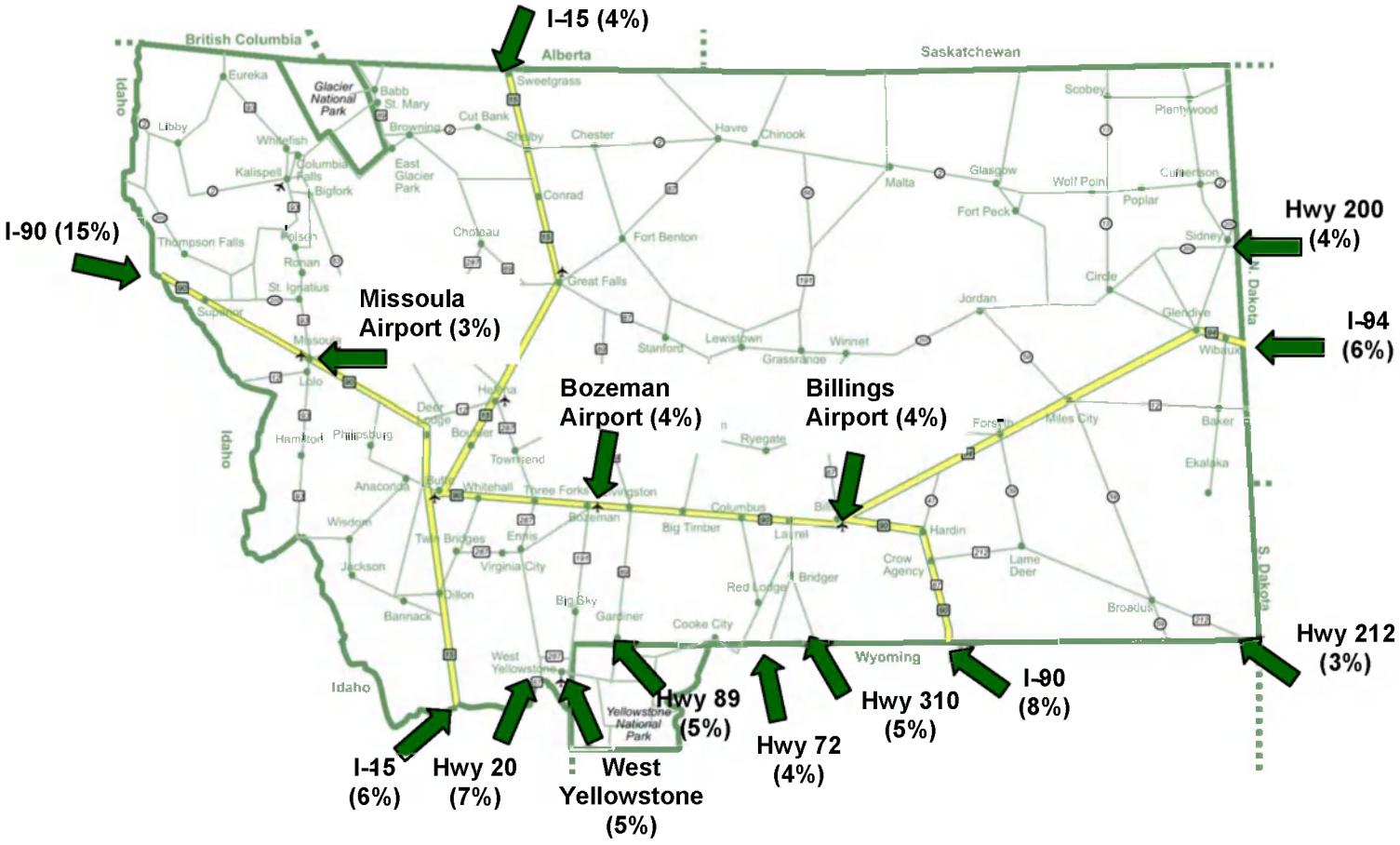
[2]Although Yellowstone National Park is primarily located in Wyoming, approximately 65% of park visitors enter the park via a Montana entrance during their trip (NPS 2007).

**Table 14: Top 10 Activities for Vacationers to Montana, 2005**

| Rank | Activity | % who indicated participation[1] |
|---|---|---|
| 1 | Driving for pleasure | 62% |
| 2 | Wildlife watching | 54 |
| 3 | Day hiking | 39 |
| 4 | Recreational shopping | 36 |
| 5 | Picnicking | 34 |
| 6 | Visiting historic sites | 32 |
| 7 | Visiting Lewis & Clark sites | 22 |
| 8 | Nature study | 21 |
| 9 | Visiting museums | 21 |
| 10 | Developed Camping | 19 |
| 10 | Fishing | 19 |

Source: ITRR.
[1]Respondents could select more than one activity.

**Figure 12: Top 15 Entry Points to Montana by Nonresidents, 2005**



Montana offers many tourist destinations for travelers to visit. Although these sites do not distinguish between resident and nonresident visitors, it is probably safe to assume that they are visited by all types of travelers regardless of their residence. Some destinations have reliable mechanisms in place for counting their visitors and are included in Table 15, yet many other sites rely on voluntary contributions and guest book sign-ins and are not reported here.

- Besides the highly visited destinations of Glacier and Yellowstone National Parks, Fort Peck Lake receives the most visitors per year (Table 15) with nearly 441,000 visitors in 2007, an increase of 17.8 percent from 2006. The Museum of the Rockies had an impressive 43.1 percent increase from 2006 to 2007 due to exceptional exhibits they featured for their 50th anniversary year. Lake Elmo State Park near Billings also had a large increase of 22.5 percent in 2007 and hosted nearly 151,000 visitors.

- Overall, total visitors to the top 10 destinations in 2007 were up 8.3 percent from 2006.

**Table 15: Montana's Top 10 Tourist Destinations, 2004-2007**

| | Destination[1] | 2004 | 2005 | 2006 | 2007 | % change 2006-'07 |
|---|---|---|---|---|---|---|
| 1 | Glacier National Park | 2,033,933 | 1,925,101 | 1,964,399 | 2,083,329 | 6.1% |
| 2 | Yellowstone Nat'l Park[2] | 1,886,877 | 1,865,031 | 1,901,914 | 2,057,898 | 8.2 |
| 3 | Fort Peck Lake | 278,466 | 320,218 | 374,270 | 440,724 | 17.8 |
| 4 | Little Bighorn Battlefield | 347,056 | 328,668 | 298,518 | 290,744 | -2.6 |
| 5 | Giant Springs State Park | 180,024 | 213,610 | 263,236 | 290,594 | 10.4 |
| 6 | Museum of the Rockies | 103,273 | 108,302 | 129,450 | 185,188 | 43.1 |
| 7 | Cooney Reservoir | 162,856 | 148,896 | 134,048 | 158,685 | 18.4 |
| 8 | Lake Elmo | 112,257 | 149,778 | 123,021 | 150,693 | 22.5 |
| 9 | Libby Dam | 110,973 | 117,371 | 145,628 | 143,070 | -1.8 |
| 10 | National Bison Range | 149,500 | 138,950 | 131,150 | 116,550 | -11.1 |
| | Total | 5,365,215 | 5,315,925 | 5,465,634 | 5,917,475 | 8.3% |

Sources: National Park Service; Fort Peck Lake; MT FWP; Museum of the Rockies; Libby Dam; National Bison Range.
[1]Includes only destinations that keep consistent visitation counts.
[2]Figures reflect Yellowstone National Park visitors who entered the park from Montana. Although the park is primarily located in Wyoming, about 65% of the park's visitors travel in Montana during their trip (NPS 2007).

## MONTANA STATE PARKS – CONTRIBUTED BY SUE DALBEY, STATE PARKS PLANNER

Montana State Parks saw a record number of visits in 2007. The fifty State Parks received 1.9 million visits, or 3 percent more than 2006. This represents the fifth consecutive year of visitation increases.

The percentage of resident use continues to increase. Residents accounted for approximately 82 percent of all park visits in 2007, or 1.5 million visits. Overall, park day use accounts for 88 percent of visits and 12 percent of visits reflect overnight use (211,000 overnight visits).

Recent state park surveys show that visitors value the service, availability, professionalism, and friendliness of staff at Montana's state parks. Visitors feel relatively safe and enjoy clean park facilities, including restrooms and showers, as shown by increasing use levels and demand for services.

Over 75 percent of campers use an RV. Visitors indicate that reservations at some campsites are important. Offering hookups, flush toilets and showers at some sites, boat ramps and docks are also important to visitors according to recent surveys. Visitors desire conveniences and amenities that add value to their experience.

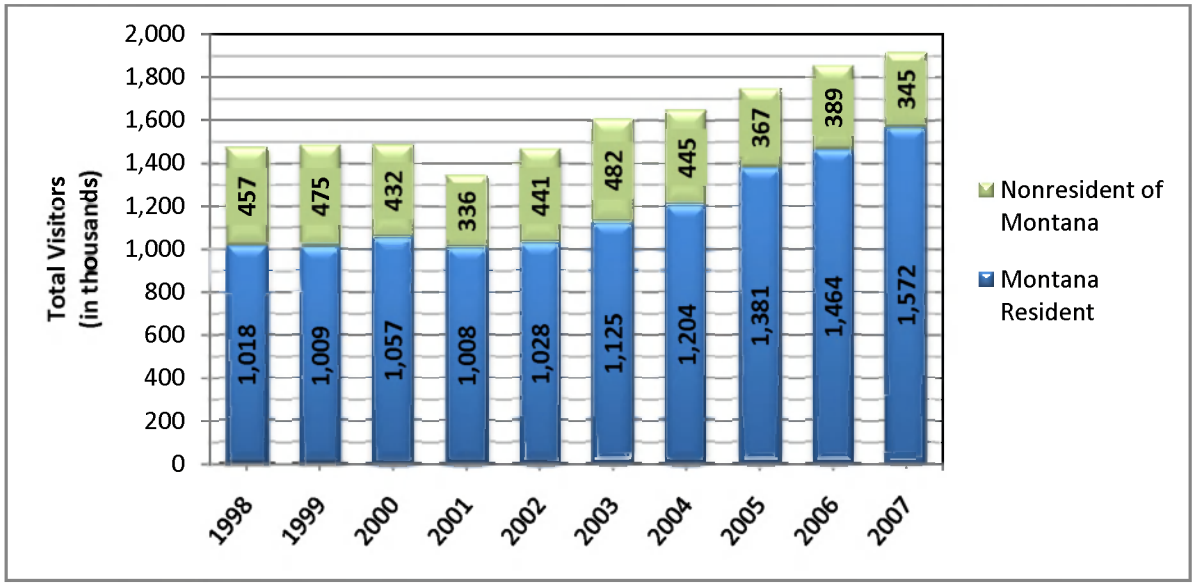
Over $3.5 million was spent on capital improvements in State Parks between July 2007 to June 2008 improving boat ramps, adding new docks, paving roads, and improving accessibility. The prior year, $4.85 million was spent maintaining and improving facilities around the state. Over $300,000 was spent annually on state parks major maintenance projects such as: tree trimming, leveling and graveling camp sites, building tent pads, installing picnic shelters, building trails and playgrounds, stabilizing banks, removing pine beetle infected trees, and emergency repairs necessitated by flooding. Money used for these projects is a combination of Federal funding, parks revenue, and specific ear-marked funding (i.e. fuel taxes).

Montana contractors are completing most of the above projects across the state, which boosts local economies through jobs and material purchases. Additionally, the Parks Division employs 264 people to manage and maintain parks and fishing access sites, yet only 70 of these are full-time, permanent staff.

Parks join with communities to host tourism events and provide experiences that extend visits in the local area and draw people from Montana and beyond. Most visitors learn about Montana State Parks by visiting the parks, using the Fish, Wildlife & Parks website, or by talking with family and friends. Surveys indicate that on average, visitors to water-based State Parks bring five people with them, and visit the park four times each year.

In 2007, state park visitors spent an estimated $274.5 million in trip-related expenditures across Montana. Nonresidents visiting state parks contributed an estimated $71.8 million to the economy's total production in industries such as: petroleum refining and sales, wholesale trade, retail trade, hotels and lodging, and government in Montana communities. Nonresident visitor expenditures contributed about $20.6 million in personal income, which includes wages and salaries paid by employers, and income to self-employed workers. An estimated 1,033 full-time and part-time jobs were generated by nonresident expenditures. These park visitors influence jobs in the lodging industry, automobile service, grocery and retail stores, and recreation services. Estimates provided are considered conservative and are based on 2007 State Parks visitation estimates and per-visitor rates extrapolated from the *2002 Economic Impact Survey of Visitors to Montana's State Parks and Fishing Access Sites* conducted by University of Montana Bureau of Business and Economic Research. Estimates for 2007 do not consider inflation, which would likely generate a higher impact to the Montana economy.

**Figure 13: Montana State Parks Visitation, 1998-2007**




Source: Montana State Parks.

**Table 16: State Parks Visitation by Region, 2007**

| Region | Number of Parks[1] | Total Visitors | Montana Residents | Nonresidents of Montana | Day Use | Overnight |
|---|---|---|---|---|---|---|
| 1-Kalispell | 11 | 358,046 | 77% | 23% | 81% | 19% |
| 2-Missoula | 11 | 173,908 | 76 | 24 | 78 | 22 |
| 3-Bozeman | 10 | 326,814 | 80 | 20 | 89 | 11 |
| 4-Great Falls | 6 | 355,415 | 90 | 10 | 98 | 2 |
| 5-Billings | 5 | 400,033 | 86 | 14 | 97 | 3 |
| 6-Glasgow | 1 | 5,491 | 95 | 5 | 100 | 0 |
| 7-Miles City | 6 | 205,858 | 80 | 20 | 73 | 27 |
| Totals/Averages[2] | 50 | **1,916,843** | **82%** | **18%** | **88%** | **12%** |

Source: Montana State Parks.
[1]The number of parks has risen from 42 in 2003 to 50 parks in 2005 due to two additional state parks and a change in status of existing sites. Brush Lake and Tower Rock State Parks were added to the system in 2004. Smith River is now managed as a state park rather than multiple fishing access sites. In addition, all parks around Flathead Lake are recognized as six independent parks rather than combined into one park.
[2]Visitation figures are adjusted by five percent to account for use at sites with limited data collection equipment, shoulder season use and staff.

**Table 17: State Parks Visitation Estimates: 3-Year Trends**

| Region & FWP Office Location | 2005 | 2006 | 2007 | 2006-07 % change |
|---|---|---|---|---|
| **1-Kalispell Area** | 294,710 | 344,229 | 358,046 | 4% |
| **2-Missoula Area** | 186,595 | 205,545 | 173,908 | -15% |
| **3-Bozeman Area** | 314,466 | 345,139 | 326,814 | -5% |
| **4-Great Falls Area** | 268,747 | 326,238 | 355,415 | 9% |
| **5-Billings Area** | 381,117 | 334,458 | 400,033 | 20% |
| **6-Glasgow Area** | 2,500 | 3,923 | 5,491 | 40% |
| **7-Miles City Area** | 216,567 | 205,763 | 205,858 | <1% |
| **Total** | 1,747,937 | 1,853,560 | 1,916,843 | 3% |

Source: Montana State Parks.

**Figure 14: Montana Fish, Wildlife and Parks Regions**


## *Montana State Parks Fishing Access Sites (FAS)*

Montana Fish, Wildlife and Parks, Parks Division, is responsible for managing 325 fishing access sites (FAS) across the state. These sites are parking areas providing water access next to a stream, river or lake. The number of sites has increased from 307 in 2006 due to statewide emphasis in acquiring public access. Over 3.5 million visits were reported at FAS in 2007. Visitation has dropped slightly over the last two years, but remained relatively steady when looking at the last six years. Drought, warm temperatures, resulting river closures, and wildfires have likely contributed to the recent decline.

Montana residents are the primary users of FAS. Statewide, about 20 percent of visits are from out-of-state visitors. FWP Region 3, responsible for southwest Montana, manages the highest number of sites and hosts the most FAS visitors in the state with nearly 1.3 million annually. This area also receives the highest percentage of nonresident visits, 32 percent. This high ratio in southwest Montana is likely due to

several nationally recognized trout fishing rivers that attract visitors, and the proximity to Yellowstone National Park, Idaho and Wyoming.

FAS are open to free day use for residents and out-of-state guests alike. About one-third of FAS allow camping; therefore, the percent of visitors camping is quite low.

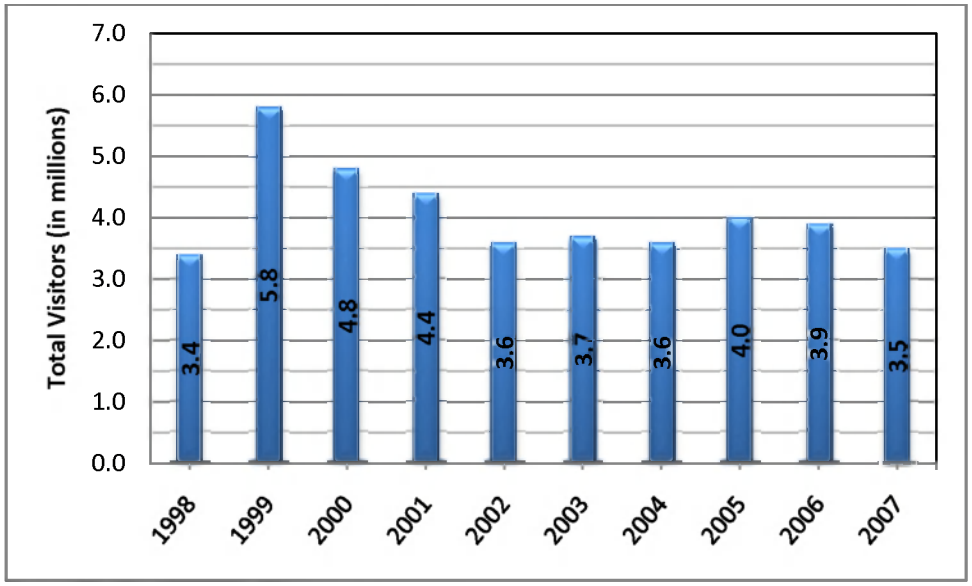
The visitation estimates shown here provide general use trends. Due to the high number of sites, their wide and remote dispersion, and staffing resources, it is not feasible to collect actual counts at all sites. FWP uses indicator sites to extrapolate region-wide use estimates with low levels of statistical confidence.

**Table 18: Fishing Access Sites Estimated Use by Region, 2005-2007**

| Region | Number of FAS | 2005 Visits | 2006 Visits | 2007 Visits | 2007 % MT Residents | 2007 % Camping |
|---|---|---|---|---|---|---|
| 1-Kalispell | 32 | 469,192 | 494,582 | 516,296 | 90% | 1% |
| 2-Missoula | 73 | 809,716 | 767,816 | 748,527 | 84 | 2 |
| 3-Bozeman | 89 | 1,384,251 | 1,374,853 | 1,247,255 | 68 | 1 |
| 4-Great Falls | 50 | 290,086 | 239,035 | 224,163 | 94 | 6 |
| 5-Billings | 43 | 694,048 | 571,184 | 511,920 | 80 | 17 |
| 6-Glasgow | 15 | 84,544 | 111,151 | 106,600 | 96 | 2 |
| 7-Miles City | 23 | 310,275 | 346,608 | 189,583 | 85 | 5 |
| Total | 325 | 4,042,112 | 3,905,229 | 3,544,344 | 80% | 4% |

Source: Montana State Parks.

**Figure 15: Montana Fishing Access Site Visits, 1998-2007**




Source: Montana State Parks.

## Section 3: Travel Industry Segment Data

### Montana Transportation Overview

Time-series data on air and rail service in Montana, including traveler volume, personal income and employment.

### Montana Travel Industry Segments

Hotel, foodservice, and amusement and recreation industry comparisons with time-series data.

# MONTANA TRANSPORTATION OVERVIEW

## *Amtrak Performance*

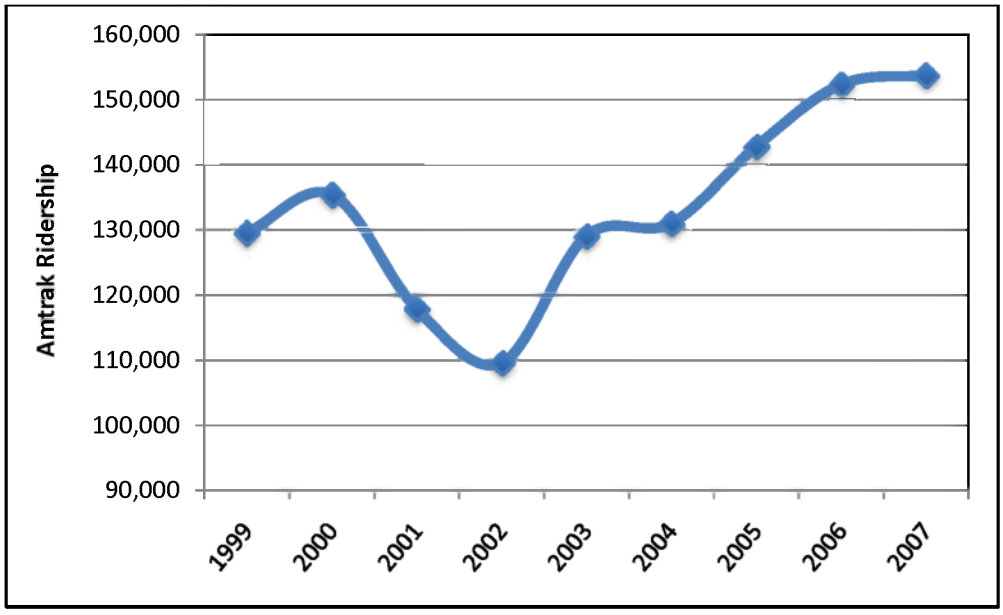
Many of Montana's municipalities are connected by various railroad lines, offering excellent rail connections for freight lines. However, passenger transit through the state is limited and its future in Montana is uncertain. The Empire Builder, Amtrak's line in the northern portion of the state, provides the only passenger train service. Stations are located at Browning, Belton, Cut Bank, Essex, Glasgow, Glacier Park, Havre, Libby, Malta, Shelby, Whitefish, and Wolf Point.

- Ridership for 2007 closed with a slight increase of 0.9 percent over 2006 and increased 19 percent from 1999 (Figure 16, Table 19). After reaching a nine-year low in 2002, ridership has continued to climb yearly with its most sizable increase of 17.8 percent in 2003 over 2002.

- The Whitefish station had the most passenger traffic over the nine-year period and captured over 43 percent of all Montana rail traffic (Table 20). The next busiest stations were Havre and Shelby, each at 11.0 percent. Browning was the slowest Montana station over the period with 1.5 percent of passenger traffic in 2007.

- Personal income and employment were both up 2.6 percent in the rail transportation industry in 2006, while the industry GDP was up nearly 12 percent.

**Figure 16: Amtrak Ridership in Montana, 1999-2007**




Source: Montana Department of Transportation.

**Table 19: Amtrak Performance in Montana, 1999-2007**

| Key Measurement | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|
| Ridership | 129,566 | 135,421 | 117,850 | 109,550 | 129,064 | 130,993 | 142,783 | 152,319 | 153,760 |
| Industry GDP by State[1] (millions 2007$) | $466.7 | $474.4 | $462.5 | $464.5 | $524.0 | $560.9 | $650.8 | $728.2 | n/a |
| Employment[2] | 2,904 | 2,707 | 2,653 | 2,558 | 2,513 | 2,540 | 2,678 | 2,747 | n/a |
| Personal Income[3] (millions 2007$) | $248.2 | $236.3 | $236.8 | $231.0 | $230.9 | $239.4 | $249.5 | $256.1 | n/a |
| **Percent change from previous year** | | | | | | | | | |
| Ridership | -6.3% | 4.5% | -13.0% | -7.0% | 17.8% | 1.5% | 9.0% | 6.7% | 0 .9% |
| Industry GDP by State | -3.7 | 1.7 | -2.5 | 0.4 | 12.8 | 7.0 | 16.0 | 11.9 | n/a |
| Employment | -3.5 | -6.8 | -2.0 | -3.6 | -1.8 | 1.1 | 5.4 | 2.6 | n/a |
| Personal Income | -3.6 | -4.8 | 0.2 | -2.4 | 0.0 | 3.7 | 4.2 | 2.6 | n/a |

Sources: Montana Department of Transportation; U.S. Bureau of Economic Analysis.
Employment and income figures are for NAICS Sector 482, Rail Transportation.
[1]GDP by State is defined as " . . . gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported)" (Beemiller et al., 1999).
[2]Includes full-time and part-time jobs.
[3]Comprises both employee compensation and proprietors' income.

**Table 20: Amtrak Passenger Traffic by Montana Station, 1999-2007**

| Station | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | % of Total, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Browning | 1,549 | 1,498 | 1,344 | 1,087 | 2,029 | 1,986 | 2,287 | 2,284 | 2,237 | 1.5% |
| Belton | 3,702 | 3,959 | 3,721 | 4,124 | 4,324 | 4,078 | 5,100 | 5,793 | 6,317 | 4.1 |
| Cut Bank | 2,162 | 2,589 | 2,151 | 2,177 | 3,033 | 2,619 | 2,919 | 3,014 | 3,091 | 2.0 |
| Essex | 3,354 | 3,100 | 2,949 | 3,293 | 3,310 | 3,742 | 3,947 | 3,549 | 4,712 | 3.1 |
| Glasgow | 5,668 | 5,688 | 5,144 | 4,678 | 5,422 | 6,219 | 6,387 | 6,255 | 6,334 | 4.1 |
| Glacier Park | 13,226 | 13,034 | 11,086 | 9,648 | 9,845 | 10,123 | 11,943 | 11,027 | 13,663 | 8.9 |
| Havre | 14,379 | 15,571 | 13,278 | 12,472 | 14,113 | 14,865 | 16,064 | 16,981 | 16,941 | 11.0 |
| Libby | 5,443 | 5,528 | 4,781 | 4,003 | 5,276 | 5,196 | 5,385 | 5,569 | 5,483 | 3.6 |
| Malta | 3,094 | 3,198 | 2,874 | 2,749 | 2,896 | 3,103 | 3,474 | 3,698 | 3,775 | 2.5 |
| Shelby | 15,036 | 15,674 | 13,504 | 11,992 | 14,662 | 14,483 | 14,962 | 16,849 | 16,894 | 11.0 |
| Whitefish | 54,338 | 57,251 | 49,690 | 46,915 | 56,708 | 57,141 | 62,719 | 69,386 | 66,507 | 43.3 |
| Wolf Point | 7,615 | 8,331 | 7,328 | 6,412 | 7,446 | 7,438 | 7,596 | 7,914 | 7,806 | 5.1 |
| Total | 129,566 | 135,421 | 117,850 | 109,550 | 129,064 | 130,993 | 142,783 | 152,319 | 153,760 | 100.0% |

Source: Montana Department of Transportation.

## *Airline Performance*

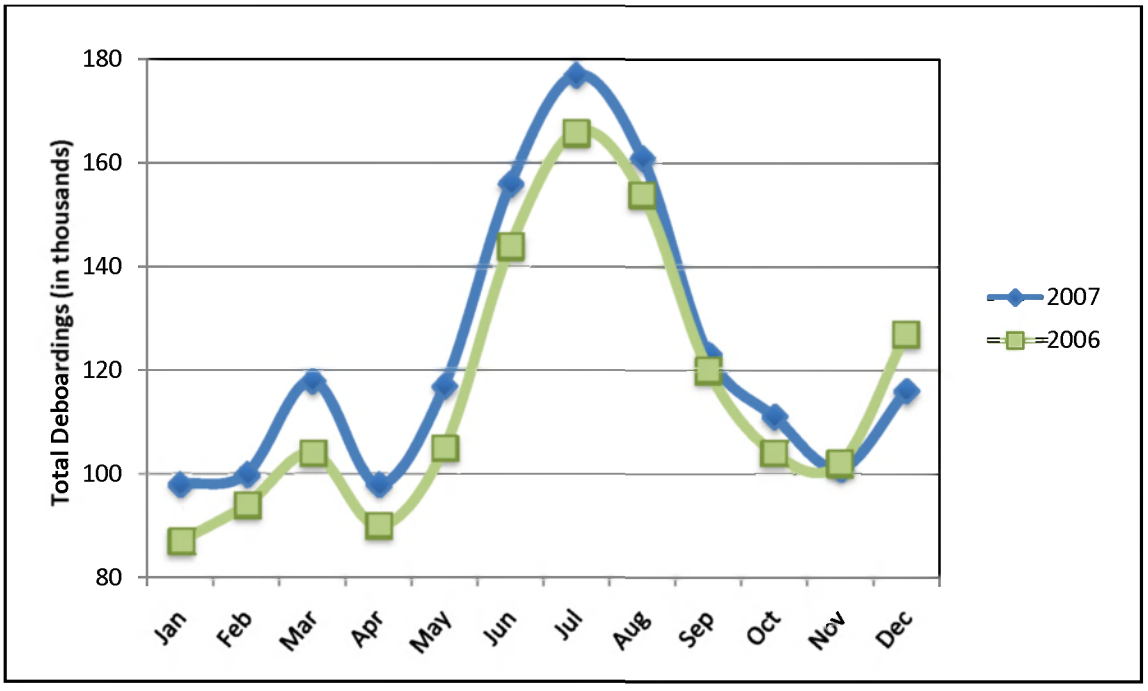
The major airports in Montana include Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula. The West Yellowstone airport is reported here as well, but it is only open during the months of June through September. These airports record the number of passengers boarding and deboarding at their facility. ITRR uses the deboarding numbers as a count and incorporates them into its estimation model when calculating the number of nonresident travelers at each airport.

- Reported figures of air passenger deboardings throughout the year show that June through August are the busiest months, with July being the most traveled month (Figure 17).

- Butte, Helena and Kalispell airports saw decreases in deboardings from 2006 to 2007, purportedly due to smaller airplanes and fewer seats available on flights at these airports. The Billings airport remains the state's busiest airport in terms of traveler volume (Table 21). Bozeman and Missoula posted the second and third highest passenger deboardings, followed by Kalispell and Great Falls.

- Total passenger deboardings were up over three percent in 2007 after experiencing a three percent decrease from 2005 to 2006 (Table 22). Employment in the air transportation sector was up just 0.5 percent from 2005 to 2006, but personal income in the industry was up over nine percent during the same time period. In 2006, average income per person working in the airline industry was approximately $44,143.

**Figure 17: Monthly Airline Passenger Traffic, 2006/2007**




Sources: Montana Aeronautics Division.

**Table 21: Airline Passenger Traffic by Airport, 2000-2007**

| Airport | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| Billings | 355,908 | 353,371 | 381,661 | 372,632 | 391,206 | 397,485 | 398,408 | 423,493 |
| Bozeman | 240,049 | 256,245 | 273,026 | 282,871 | 310,578 | 336,803 | 315,912 | 335,598 |
| Butte | 48,574 | 43,337 | 41,059 | 37,101 | 38,661 | 40,117 | 35,024 | 34,318 |
| Great Falls | 140,380 | 128,867 | 128,972 | 127,228 | 132,985 | 155,647 | 144,450 | 147,333 |
| Helena | 73,110 | 75,428 | 74,204 | 74,387 | 83,122 | 92,537 | 86,687 | 82,883 |
| Kalispell | 154,877 | 154,421 | 162,045 | 165,763 | 177,089 | 187,163 | 174,744 | 173,576 |
| Missoula | 225,643 | 242,054 | 237,938 | 245,956 | 260,923 | 263,303 | 274,804 | 281,444 |
| West Yellowstone | 5,229 | 4,913 | 4,026 | 3,364 | 2,424 | 4,294 | 3,618 | 3,630 |
| Total | 1,243,770 | 1,258,636 | 1,302,931 | 1,309,302 | 1,396,988 | 1,477,349 | 1,433,647 | 1,482,275 |

Source: Montana Aeronautics Division.

**Table 22: Airline Performance in Montana, 2000-2007**

| Key Measurement | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| Passengers Deboarded | 1,243,770 | 1,258,636 | 1,302,931 | 1,309,811 | 1,396,988 | 1,477,349 | 1,433,647 | 1,482,275 |
| Industry GDP by State[1] (millions 2007$) | $72.2 | $46.8 | $51.9 | $67.6 | $63.7 | $53.1 | $59.7 | $72.2 |
| Employment[2] | 836 | 867 | 858 | 863 | 866 | 917 | 922 | n/a |
| Personal Income[3] (millions 2007$) | $31.3 | $34.2 | $34.7 | $34.6 | $34.9 | $38.5 | $40.7 | n/a |
| **Percent change from previous year** | | | | | | | | |
| Passengers Deboarded | 3.5% | 1.2% | 3.5% | 0.5% | 6.7% | 5.8% | -3.0% | 3.4% |
| Industry GDP by State | -4.8 | -35.2 | 10.7 | 30.4 | -5.8 | -16.6 | 12.4 | -4.8 |
| Employment | 3.5 | 3.7 | -1.0 | 0.6 | 0.3 | 5.9 | 0.5 | n/a |
| Personal Income | 7.3 | 9.3 | 1.5 | -0.3 | 0.9 | 10.3 | 5.7 | n/a |

Sources: Montana Aeronautics Division; U.S. Bureau of Economic Analysis.
Employment and income figures are for NAICS Sector 481, Air Transportation, which does not include Scenic and Sightseeing Transportation (Sector 487), and Couriers and Messengers (Sector 492).
[1]GDP by State is defined as " . . . gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported)" (Beemiller et al., 1999).
[2]Includes full-time and part-time jobs.
[3]Comprises both employee compensation and proprietors' income.

# MONTANA TRAVEL INDUSTRY OVERVIEW

## *Hotel Industry*

*Part of the information for this section has been kindly provided by Smith Travel Research.*

Occupancy rates are often considered a measure of the performance of the hotel industry. Yet, occupancy rates also fluctuate based on changes in the room supply-demand relationship. When the growth in room demand exceeds the growth in room supply, occupancy rates increase. Conversely, they decrease when room supply increases faster than room demand, as is the case when the industry experiences a building boom. As a result, the measure of room demand is a better indication of how the hotel industry is changing year to year in terms of occupancy.

- With the exception of 2004, each year in the period showed an increase for room demand with the greatest in 2007 (4.3%). Room supply increased each year, although 2005 had the smallest increase in the period at 0.2 percent (Table 23).

- Over the past five years, occupancy rates in Montana show some variation with decreases in 2003 and 2004, but steady increases during the next three years.

- In constant dollars, both average daily rate and room revenues show deviation over time. Significant changes were seen in 2007 over 2006 with an increase of 9.2 percent for average daily rate and a 10.9 percent increase for room revenues.

- Personal income and employment in the hotel industry increased in all years. Over the four-year time frame, personal income increased by 10.8 percent compared to a 5.6 percent increase in hotel industry employment. In 2006, average income per person in the hotel industry was $19,490.

**Table 23: Montana Hotel Industry Performance, 2003-2007**

| Key Measurement | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Occupancy Rate[1] | 56.6% | 55.8% | 57.8% | 59.8% | 61.6% |
| Room Demand (thousands) | 5,083 | 5,042 | 5,223 | 5,437 | 5,669 |
| Room Supply (thousands) | 8,962 | 9,009 | 9,027 | 9,093 | 9,207 |
| Average Daily Rate (2007$) | $71.31 | $70.41 | $68.62 | $68.82 | $75.14 |
| Room Revenues (millions 2007$) | $343.3 | $344.6 | $360.0 | $384.9 | $426.7 |
| CPI-U | 184.0 | 188.9 | 195.3 | 201.6 | 207.3 |
| Industry GDP by State[2] (millions 2007$) | $348.2 | $363.3 | $374.8 | $402.1 | n/a |
| Employment[3] | 11,689 | 11,702 | 11,811 | 12,344 | n/a |
| Personal Income[4] (millions 2007$) | $217.1 | $221.4 | $226.4 | $240.6 | n/a |
| **Percent change from previous year** | | | | | |
| Occupancy Rate | -1.6% | -1.4% | 3.6% | 3.5% | 3.0% |
| Room Demand | 0.1 | -0.8 | 3.6 | 4.1 | 4.3 |
| Room Supply | 0.9 | 0.5 | 0.2 | 0.7 | 1.3 |
| Average Daily Rate | -4.7 | -1.3 | -2.5 | 0.3 | 9.2 |
| Room Revenues | -1.9 | 0.4 | 4.5 | 6.9 | 10.9 |
| CPI-U | 2.3 | 2.7 | 3.4 | 3.2 | 2.8 |
| Industry GDP by State | -0.6 | 4.3 | 3.2 | 7.3 | n/a |
| Employment | 1.0 | 0.1 | 0.9 | 4.5 | n/a |
| Personal Income | 1.7 | 2.0 | 2.3 | 6.3 | n/a |

Sources: Smith Travel Research; U.S. Bureau of Economic Analysis.
Employment and income figures are for NAICS Sector 721, Accommodation.
[1] Data on occupancy rate, room demand, room supply, average daily rate and room revenue from Smith Travel Research represents MT hotels/motels with 15 rooms or more rented nightly. It excludes condos, time shares, corporate housing units, apartments, cabins, vacation homes, campgrounds, B&Bs.
[2] GDP by State is defined as " . . . gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported)" (Beemiller et al., 1999).
[3] Includes full-time and part-time jobs.
[4] Comprises both employee compensation and proprietors' income.

## *Foodservice Industry*

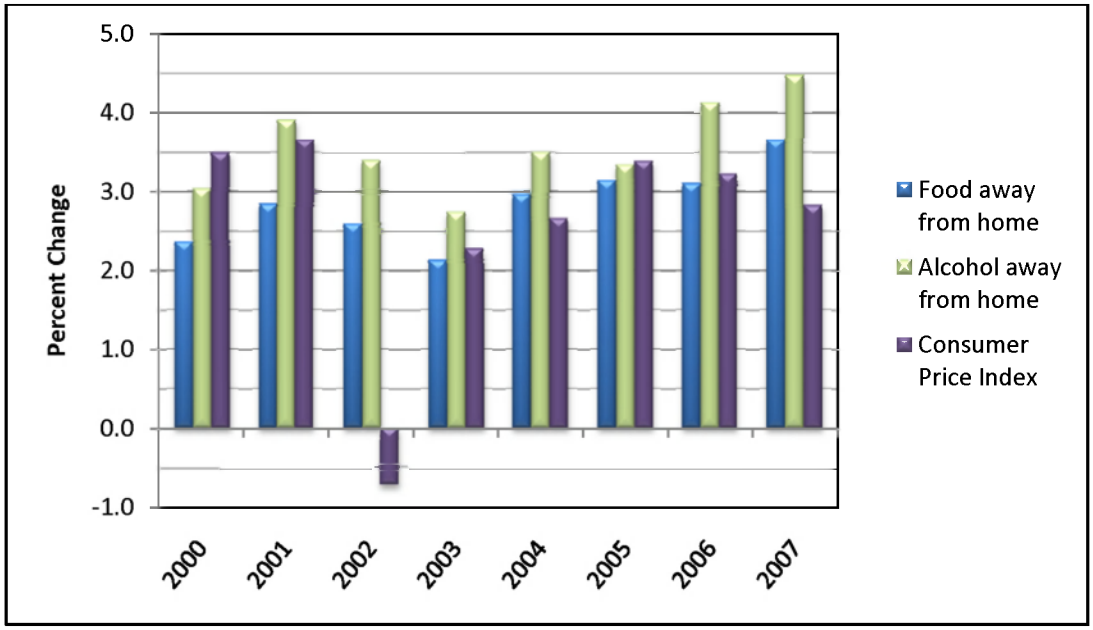
The foodservice industry is comprised of eating establishments and drinking places, and is a sizeable component of Montana's travel industry. In fact, it represents the second largest expenditure category among nonresident travelers in Montana, bringing in $656 million nonresident dollars for the state[16]. The following represents aggregate foodservice data, including sales and employment derived from expenditures by both travelers and local patrons.

- The growth in the indices for "food away from home," "alcohol away from home" and the CPI all fluctuated throughout the eight-year period (Figure 18). During five of the eight years (excluding 2002, 2004 and 2007), CPI inflation grew slightly faster than food away from home prices, making dining out slightly less expensive. Inflation of "alcohol away from home" prices increased more quickly than both food away from home and CPI, with the exception of 2000 and 2005 during which CPI inflation outpaced alcohol away from home inflation by a small amount.

- Employment in Montana's foodservice industry experienced a small increase in 2006 (0.9%) (Table 24). In 2006, an estimated 38,851 people were employed in the foodservice industry in Montana, up 11.8 percent since 2000.

- Personal income in the foodservice industry has also been increasing, and was up 2.5 percent in 2006 over 2005. In 2006, income per person in the foodservice industry was approximately $13,580.

**Figure 18: Change in Foodservice Price and Consumer Price Indices, 2000-2007**




Sources: Travel Industry Association of America; U.S. Bureau of Economic Analysis.

[16] For further detail, please see ITRR, 2008.

**Table 24: Montana Foodservice Industry Performance, 2000-2007**

| Key Measurement | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| Price Index (1982-1984=100) | | | | | | | | |
| Food away from home[1] | 169.0 | 173.8 | 178.3 | 182.1 | 187.5 | 193.4 | 199.4 | 206.7 |
| Alcohol away from home[1] | 207.1 | 215.2 | 222.5 | 228.6 | 236.6 | 244.5 | 254.6 | 266.0 |
| CPI-U | 174.8 | 181.2 | 179.9 | 184.0 | 188.9 | 195.3 | 201.6 | 207.3 |
| Industry GDP by State[2] (millions 2007$) | $579.2 | $571.3 | $602.8 | $627.7 | $658.6 | $666.7 | $687.0 | n/a |
| Employment[3] | 34,738 | 35,252 | 35,708 | 36,240 | 37,496 | 38,492 | 38,851 | n/a |
| Personal Income[4] (millions 2007$) | $443.9 | $448.3 | $467.9 | $487.9 | $509.6 | $514.6 | $527.6 | n/a |
| **Percent change from previous year** | | | | | | | | |
| Price Index | | | | | | | | |
| Food away from home | 2.4% | 2.8% | 2.6% | 2.1% | 3.0% | 3.1% | 3.1% | 3.7% |
| Alcohol away from home | 3.0 | 3.9 | 3.4 | 2.7 | 3.5 | 3.3 | 4.1 | 4.5 |
| CPI-U | 3.5 | 3.7 | -0.7 | 2.3 | 2.7 | 3.4 | 3.2 | 2.8 |
| Industry GDP by State | 3.2 | -1.3 | 5.5 | 4.1 | 4.9 | 1.2 | 3.0 | n/a |
| Employment | 2.0 | 1.5 | 1.3 | 1.5 | 3.5 | 2.7 | 0.9 | n/a |
| Personal Income | -1.3 | 1.0 | 4.4 | 4.3 | 4.4 | 1.0 | 2.5 | n/a |

Sources: Bureau of Economic Analysis; Travel Industry Association of America.
GDP by State, employment and income figures are for NAICS Sector 722, Food Services and Drinking Places, which includes on-premises and off-premises consumption, and catering services.
[1]Figures are based on data for eating and drinking places, excluding possible effect of institutional and military restaurant services.
[2]GDP by State is defined as " . . . gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported)" (Beemiller et al., 1999).
[3]Includes full-time and part-time jobs.
[4]Comprises both employee compensation and proprietors' income.

## *Arts, Entertainment, and Recreation Services*

The arts, entertainment, and recreation services industry generally includes theatrical productions (except motion pictures), various amusement services and recreation activities. Similar to the foodservice industry, these data include sales and employment derived from the expenditures of both nonresidents and Montana residents.

- The Gross Domestic Product by State (GDP by State) for Montana's amusement and recreation industry has increased every year from 2000 to 2007 (Table 25), although the rate of growth has fluctuated from year to year. The strongest growth was in 2006, with an increase of 10.0 percent.
- Employment in the industry has also continued to rise with a 6.0 percent increase in 2006 over 2005.
- Personal income paid within the arts, entertainment, and recreation services sector has fluctuated more than employment, most recently seeing an increase of 9.3 percent. The average income per person in the industry was approximately $13,688.

**Table 25: Montana Arts, Entertainment, and Recreation Industry Performance, 2000-2007**

| Key Measurement | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| Industry GDP by State[1] (millions 2007$) | $335.9 | $343.0 | $356.1 | $378.6 | $394.0 | $399.2 | $439.2 | $468.0 |
| Employment[2] | 14,518 | 14,583 | 15,496 | 16,570 | 17,287 | 18,129 | 19,213 | n/a |
| Personal Income[3] (millions 2007$) | $183.1 | $203.4 | $210.7 | $231.1 | $232.3 | $242.2 | $263.0 | $287.5 |
| **Percent change from previous year** | | | | | | | | |
| Industry GDP by State | 4.6% | 2.1% | 3.8% | 6.3% | 4.1% | 1.3% | 10.0% | 6.6% |
| Employment | 5.0 | 0.4 | 6.3 | 6.9 | 4.3 | 4.9 | 6.0 | n/a |
| Personal Income | 3.6 | 11.0 | 3.6 | 9.7 | 0.5 | 4.3 | 8.6 | 9.3 |

Source: U.S. Bureau of Economic Analysis.
GDP by State, employment, and income figures are for NAICS Sector 71, Arts, Entertainment, and Recreation, which generally includes live performances, exhibits, and participatory recreation activities.
[1]GDP by State is defined as " . . . gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported)" (Beemiller et al., 1999).
[2]Includes full-time and part-time jobs.
[3]Comprises both employee compensation and proprietors' income.

## CONCLUDING REMARKS

Nonresident travelers come to Montana for a variety of reasons. As Montana's newly adopted brand states, Montana has "more spectacular unspoiled nature than anywhere else in the lower 48 United States; vibrant and charming small towns that serve as gateways to the natural wonders; and breathtaking experiences by day, relaxing hospitality at night." Travelers typically leave the state with a very positive impression and quite often become repeat visitors because of their initial Montana experience. It's no wonder that the number of nonresident visitors continues to rise, year after year, making tourism an increasingly important part of Montana's economy.

As this review illustrates, nonresident travel impacts many areas of the economy through visitor expenditures, employment opportunities, income generation, and through tax contributions at all levels of government. Montana's travel industry also serves to diversify the state's economy which helps the state allay the effects of national economic fluctuations.

As this report indicates, Montana's travel industry has generally displayed a trend of increasing growth. While minor fluctuations have occurred throughout the years, the overall trend has been continual growth. Montana's nonresident travel industry contributed 7.0 percent of the state's total employment in 2007. The number of nonresident visitors and the amount of money they spend continues to increase. This, in turn, continues to contribute significantly to travel-generated personal income, travel-generated employment and travel-generated tax revenue in the state. Five-year trends show increases in lodging demand, employment and revenues; Amtrak deboardings; airline deboardings; food service employment and revenues; and arts, entertainment and recreation services employment, income and revenues. The industry is experiencing continual growth and is contributing jobs, revenues and taxes to Montana's economy. It is expected that this will continue, even during the current difficult economic times, and that the diversity of the travel and tourism industry will continue to prove how beneficial it is to this state's economy.

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## Appendix B: Montana Total Tax Tables by Source

The following four tables show the differences in Montana total taxes depending on the tax reporting agency. These are presented here to help the reader see the differences and to assist them in deciding which source is most relevant for their needs. Please note that the following tax figures were inflated to 2007 dollars when reported in the Travel-Generated Tax Revenue section of this report, but are reported in actual dollars here. Lastly, each table indicates the direct source of its tax figures.

### *U.S. Internal Revenue Service*

**Table 5. Internal Revenue Gross Collections, by Type of Tax and State, Fiscal Year 2007--Montana**
(thousands of dollars)

| Item | 2007 |
|---|---|
| Corporation income tax | $233,053 |
| Individual income and employment taxes | 4,162,514 |
| Income tax not withheld and SECA tax | 1,334,174 |
| Income tax withheld and FICA tax | 2,793,269 |
| Railroad retirement tax | 18,048 |
| Unemployment insurance tax | 17,023 |
| Estate tax | 61,833 |
| Gift Tax | 1,463 |
| Excise tax | 63,817 |
| Total Internal Revenue collections | $4,522,680 |

Source: www www.irs.gov/pub/irs-soi/07db05co.xls; accessed June 2008.

## *U.S. Bureau of Economic Analysis*

**SA50 Personal current tax receipts—Montana, 2006**
(thousands of dollars)

| Item | 2006 |
|---|---|
| Personal Income | $29,151,987 |
| less: Personal current taxes | 3,090,110 |
| equals: Disposable personal income | 26,061,877 |
| Population (persons) | 946,795 |
| Per capita personal income | 30,790 |
| Per capita disposable personal income | 27,526 |
| | |
| Personal current taxes to | |
| Federal government | 2,182,311 |
| Income taxes (net of refunds) | 2,182,311 |
| Income taxes (gross) | 2,654,843 |
| less: Refunds | 472,532 |
| Personal current taxes to | |
| State government | 867,600 |
| Income taxes | 777,918 |
| Motor vehicle license | 51,785 |
| Other taxes | 37,897 |
| Personal current taxes to | |
| Local government | 5,042 |
| Income taxes | 0 |
| Motor vehicle license | 1,787 |
| Other taxes | 3,255 |
| State and local personal property taxes | 35,157 |
| | |
| Total personal current taxes[1] | $3,090,110 |

Source: www.bea.gov/bea/regional/spi/action.cfm; accessed June 2008.
[1]Sum of personal current taxes to federal, state, local governments; plus state and local personal property taxes.

## *U.S. Census Bureau*

### Table 1: State and Local Government Finances by Level of Government and by State: 2005-2006

(Thousands of dollars; figures represent only the revenue section of Census Table 1)

| Description | State & Local Government Amount | State Government Amount | Local Government Amount |
|---|---|---|---|
| General revenue from own sources | $4,698,025 | $3,109,527 | $1,588,498 |
| Taxes | 3,019,675 | 2,126,324 | 893,351 |
| Property | 1,058,805 | 194,362 | 864,443 |
| Sales and gross receipts | 517,850 | 513,927 | 3,923 |
| General sales | - | - | - |
| Selective sales | 517,850 | 513,927 | 3,923 |
| Motor fuel | 207,256 | 207,256 | - |
| Alcoholic beverage | 23,574 | 23,574 | - |
| Tobacco products | 89,299 | 89,299 | - |
| Public utilities | 28,203 | 28,203 | - |
| Other selective sales | 169,518 | 165,595 | 3,923 |
| Individual income | 768,911 | 768,911 | - |
| Corporate income | 153,675 | 153,675 | - |
| Motor vehicle license | 145,141 | 145,116 | 25 |
| Other taxes | 375,293 | 350,333 | 24,960 |
| Charges and misc. general revenue | 1,678,350 | 983,203 | 695,147 |
| Utility revenue | 94,247 | - | 94,247 |
| Liquor store revenue | 58,995 | 58,995 | - |
| Insurance trust revenue | 1,136,252 | 1,136,252 | - |
| Intergovernmental revenue[1] | 2,031,444 | 1,825,693 | 1,216,048 |
| Total revenue | $8,018,963 | $6,130,467 | $2,898,793 |

Source: www.census.gov/govs/estimate/0627mtsl_1.html; accessed June 2008.

[1]Due to duplicative intergovernmental transactions, the sum of the state government amount and the local government amount is greater than the state & local government amount. This, in turn, affects total revenue figures.

## *Montana Department of Revenue*

**State and Local Taxes in Montana, FY2007**

| Tax Type | 2007 |
|---|---|
| Property | $1,137,034,798 |
| Income and corporate | 1,004,599,009 |
| Natural resource | 164,210,793 |
| Selective sales and other taxes | 243,533,805 |
| Total taxes | $2,549,378,406 |

Source: L. Silbaugh, Economist, Montana Department of Revenue, personal communication July 14, 2008. Figures to be included in Biennial Report of the Montana Department of Revenue: July 1, 2006 to June 30, 2008